THE OUTLOOK

Effect of the New Railroad Law—Government By Commission—Peculiar Market Situation—Money Will Remain Firm—Business and Security Prospects

THE event of the fortnight has of course been the passage of the railroad law. The market has responded to it by a slight recovery of railroad bonds from their long depression, and by some preliminary readjustments of railroad stocks to the probable prospects of the different roads under the new conditions. Industrial stocks as a class have about held their own, even against unfavorable money conditions, although a few conspicuous issues have touched new low levels.

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POSITION OF THE RAILS

THERE is general agreement that the new law improves the standing of railroad securities, and that their broad tendency, over a long period, should be upward. The investor for income should certainly plan to take advantage of early opportunities to accumulate selected bonds and the stocks of roads which have the best prospects under the new conditions. The next issue of this magazine will contain numerous articles especially prepared to aid in such selection.

The immediate outlook, however, is in more doubt. The efficiency of railroad labor is now low. About five men are required to do what four did before the war. When the additional fact is remembered that there have been large increases in wages, it becomes clear that a considerable rise in freight rates will be required to assure the 5½% average on invested capital called for by the law, and such an increase must have some effect toward increasing the cost of living. It remains to be seen to what extent private operation will increase the efficiency of railroad labor. This disease of low efficiency is epidemic throughout industry at the present time.

There is some doubt also whether the guaranteed return promised the roads for six months to come will be promptly available in the form of cash. So far the actual getting of funds from the Treasury has been a difficult process.

This money, or other funds, is badly needed for the immediate purchase of equipment. The roads will doubtless worry along fairly well with their present equipment until fall, but unless immediate provision is made there is likely to be a serious shortage in the crop-moving period. Industrial production has been checked in many instances this winter by lack of cars to move materials or finished products.

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GOVERNMENT BY COMMISSION

TWO commissions—the Federal Reserve Board and the Interstate Commerce Commission—will now exercise a tremendous influence over the business and welfare of the United States. The personnel of the enlarged Interstate Commerce Commission is therefore a question which gives railroad men some anxiety. As to this no conclusion can be reached until appointments are actually made. The country hopes for the best, but is not without qualms.

The vast power of the Federal Board has been abundantly demonstrated. Control of money rates is the key to the control of investments and indirectly of business conditions also.

The personal conduction, as we might say, of investment markets by the Federal Board, has created a peculiar situation. Liquidation in stocks has been compelled in advance of the time when it would naturally have begun if credit conditions had been left to work themselves out uncontrolled. As to the wisdom of this general policy there can be no question. In fact if it had been adopted a little earlier the results might have been less painful, and it is reported that the Board itself now regrets that it did not raise rediscount rates sooner. Criticism, however, would be unjust. The new problems growing out of the war were exceedingly difficult to solve, and in the main the action of the Board has been sound and constructive.

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EFFECT ON THE MARKET

BUT what will be the result of this pre-liquidation of securities? Commodity prices now give signs of being at or near the top. While this level may be maintained for some time, the natural direction of the next main swing in commodities will be downward. Normally, under such conditions, stock prices would be in the early stages of liquidation.

But because of the Board's policy, investment liquidation has already proceeded a good deal beyond that normal position. Stock market loans are down nearly one-half from their 1919 maximum. They are less than $1,000,000,000 and must be accounted small in view of the great enlargement of security transactions and in the number of issues dealt in.

A considerable rally would naturally follow this liquidated position of the market. In fact, if the market were free from Federal Board control, we might assume that at least a small bull market could be built up. Even if the Board limits the supply of stock market funds to a billion, various issues which are now below their intrinsic value and which represent industries having especially good prospects for prosperity, should be entitled to considerable advances. But the fact must be fully realized that the Board has the power to check any such movement in its early stages if it sees fit to do so. We are therefore forced to the conclusion that the psychology of the Federal Board is, under current conditions, quite as important a study as those factors which have commonly been considered more fundamental.

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BUSINESS CONDITIONS

THE sharp decline in the stock market and the efforts of the Federal Board—so far unsuccessful—to check the expansion of business credits have led to considerable discussion of the possibility of trade reaction.

One important factor pointing in that direction is the fall in our excess of merchandise exports over imports. From the high point of $635,000,000 touched last June, this "balance" has fallen irregularly to $257,000,000 for January, and a further fall for February seems certain, although the figures are not yet available.

The fall in foreign exchange rates is largely responsible for this tendency, since it makes our goods cost the foreigner more in his money, while his goods cost us less in our money. The low exchange rates are in great part due to the depreciation of foreign money from its nominal gold value, and in time foreign exchange rates will become stabilized at a figure which adequately represents this depreciation. When that time comes the influence of low exchange rates on exports and imports will have very nearly disappeared—but that situation, of course, is not yet in sight.

Even our January export balance was still a large one, and the effect of the declining tendency will be slow. We expect a continuation of active business conditions in this country through most of 1920. In general, stocks of goods on hand are still very light.

SCARCITY of oil is becoming a serious question. Prices of crude are still advancing. In Pennsylvania the Standard Oil Company has notified consumers that its facilities are now taxed to their utmost and that they must depend upon outside supplies for their additional requirements. The cabinet is reported as reconsidering the program of building oil-burning ships because of a possible scarcity of fuel. The small supply of Mexican fuel oil now available is well known.

This unquestionably means higher prices for oil, and will therefore increase the earnings of the big producers. Prices of the best oil stocks have suffered severely in the recent general stock market decline and we believe they are entitled to a considerable advance.

MONEY WILL REMAIN FIRM

THERE has been no material abatement of the semi-stringency of money for the use of investment markets, and it is difficult to see how there can be any important change in this particular in the immediate future. The last Federal Bank statement shows an increase of reserves through the transfer of Treasury silver to the New York Federal Bank, but the ratio of reserves to currency notes and deposits nevertheless fell a shade to 42½%. This same transfer of silver made up the deficit of the New York Bank against its deposits, giving it exactly the required 35%.

The same tendencies, however, continue in operation—a gradual fall of gold holdings as a result of gold exports, no important decrease in the war paper included in the banks' loans, and a constant growth of ordinary commercial bills rediscounted. The situation, as we have said before, demands an increase in the rediscount rate on war paper to 6%, as against 5½% now charged. We see no sound reason for this discrimination as matters now stand.

On the other hand, we consider all talk of a "money panic" pure absurdity. The Board has plenty of resources to prevent this, and would do so if the need should arise.

* * *

THE MARKET PROSPECT

A GRADUAL cessation of liquidation is in evidence and the market offers greater resistance on declines. The limitation of the supply of money is the only thing that prevents a rising market. As it is, we believe that some issues will advance sharply. The bull movement in the low-priced rails appears to have been somewhat overdone. Even in the better class of rails the improvement is likely to be a slow process, although probably a sure one.

The position of the equipment stocks is favorable, and roads will doubtless increase their purchase now that they are again under private control. The coppers are selling below intrinsic values, and the steels should rally vigorously from their prolonged decline. The next statement of U. S. Steel's unfilled orders will exceed 10,000,000 tons.

There is a large short interest in the more active issues. This, with the great reduction in loans, active issues, creates a strong technical position.

France Revives

While America's War Spirit Cools and Foreign Credits Are Delayed—France, the Country of Surprises, Faces the Future with High Courage

By **MAURICE CASENAVE**

Minister Plenipotentiary, French High Commission in U. S.

The author of this notable article, His Excellency M. Maurice Casenave, holds the rank of Minister Plenipotentiary in the French Diplomatic Service. He served as Secretary of Legation in Greece and Japan; as Secretary of Embassy in Berlin and Petrograd; as Charge d'Affaires in China and as Minister Plenipotentiary in Brazil. From 1906 to 1912 he had charge of France's financial affairs in China. He was also her negotiator in the different railroad loans, in the loan for the Monetary Reform, and in the Reorganization Loan, all of which were concluded by the international groups in which this country was represented.

Monsieur Casenave was sent to the United States by the French Government during the war to protect France's financial interests, and has taken a prominent part in all the financial operations of the French Government prior to the entry of this country into the war.

I called on M. Casenave to get his views as to financial and industrial recuperation in France. Appreciating the importance of having the matter accurately and fully presented in the MAGAZINE OF WALL STREET, he wrote this carefully prepared article for the purpose.

FRANCIS J. OPPENHEIMER.

DURING the war, American bankers did a great deal for France, and France is so much the more grateful to them as their helping spirit manifested itself at the very moment when France was at the hardest time of her fight. Aside from the Anglo-French Loan of five hundred million dollars ($500.000,000) guaranteed by the two best signatures in the world, sums approaching very near to three hundred and fifty million dollars ($350,000,000) were put at the disposal of France alone during the period between October, 1915, and April, 1917, when the United States entered the war. One cannot justly, even seriously assert that the American bankers and business men had no other motives for helping us than the mere desire of making money. Another sentiment inspired them, it was that sentiment of love for justice and of indignation against brutality which inspires the honest and brave man who runs to the assistance of a neighbor who is assailed by a highway robber.

Evidently, if one remembers the distressing situation on the battlefields which was so portentous during the period above mentioned, the ignorance prevailing in America about foreign investments, the difficulties which had to be overcome to avoid breaking the laws of neutrality: One certainly cannot but admire the unabated confidence which the American bankers showed in our cause, the ability which they displayed in educating the American public and the dexterity they proved by their success in not opposing outright the obligations then incumbent upon their country while it was still out of the conflict.

German propaganda, which was then rampant, made their task hard. That task proved to be even dangerous; we all remember how John P. Morgan, who was considered as the head of the friends of the Allies in the United States, was shot in his own house by a German propagandist.

In addition to the work of financing the needs of France in this country, the great majority of American bankers and business men put not only their money, but also their experience at the disposal of all charities intended to aid France and originating in America. They never spared their time or their efforts, and everyone knows how valuable their time and their efforts are. There is no doubt that the remarkable efficiency which was displayed and the complete success of nearly all the American relief organizations in France are due to the help which was generously offered them by American bankers and business men.

Photo by Harris & Ewing.

HIS EXCELLENCY MAURICE CASENAVE

For what they have done, France is grateful to the American bankers, and I, personally, am more grateful than anyone else in France because I know and understand their situation probably better than the majority of my countrymen. Having lived in the United States since the month of May, 1915, I have learned to love and admire the people and the country second only to my own people and country. Having played a modest part in French financial operations in this country, but still a part in each of them, I know what difficulties they encountered. I hope that the business men in Wall Street, who know me and who have proven their personal friendship to me, will excuse me if, in the following lines, they notice an inclination to criticize and to patronize. I ask them to listen patiently to the opinion of an old and devoted friend. As for the others, they are perfectly free to break off reading this, in case they do not like my ways.

It is a fact that the altruistic disposition which was so ostensible during the war and which induced public sentiment in America to come so spontaneously to the help not only of France but also of her Allies, is decreasing continually. Even when the war came to an end but as long as the war-spirit was still prevalent, big schemes were adopted to carry on American financial and economic help to the associated nations for several additional years.

France and her associated nations were induced to disclose their needs and their demand for help. A large delegation of Captains of Industry, Commerce and Finance from Europe was invited to the United States; these remarkable men travelled through all the largest cities of the Union. Rotary Clubs entertained them at luncheon, Chambers of Commerce offered them sumptuous dinners and gorgeous parties, long orations and eloquent addresses were delivered by theoricians as well as by practical men of business: everybody expatiated upon huge credits and colossal operations.

Foreign Credits Delayed

Nobody can deny that the result was not what might have been expected from such a display: nobody can deny that the American business sentiment seems to have cooled in regard to the help to be given to the needs of Europe.

People in France or elsewhere who reproach the American bankers only for this coolness display as much ignorance as injustice. It is absurd to believe that an American banker or even a combination of American bankers could afford to finance the enormous purchases which have to be made presently in America by France. France has to reconstruct her invaded countries; she has to transform her industries from a war basis to a peace basis; she has to restore her agriculture and to replenish her stocks which were depleted by the war. Although it is a great mistake to believe—as some people seem to believe, here—that America is the only country in the world which is able to carry out such huge operations: although some other nations might be called upon to share and participate in that burden, it is also a mistake to think that even that part which could be reasonably expected from America could be financed by bankers without co-operation from outside.

It has often been said on the subject that the general public ought to be the helpers and that they ought to be educated for that purpose. Of course, that would be excellent, but the matter is urgent and the education of the public to an operation of great magnitude may take a long time. Moreover, the public has subscribed patriotically and generously to American Government bonds, and, following the law of action and reaction, it appears now to be mostly inclined to speculative investments.

It seems to be natural, and even obvious, that those who ought to be the first to co-operate with the bankers to finance French purchases, are those who would be the most benefited by this financing. I refer to American producers of raw materials and manufacturers.

Many of them at present do not seem to share these views. The United States was in the war for nearly two years and, during this period, all work which was not directly for war purposes was practically stopped in this country. Now that the war is over, the demands of American buyers are large enough to absorb production. Why should the producers worry about selling to a foreign country? Moreover, France is unable to supply some of her needs herself. She must have them and she is ready to pay cash for them at any price. "It is better to pay a great deal for the missing wheel in the watch than to keep the whole mechanism idle," as the head of a great American industry said. Many American producers may ask, "Why not take advantage of this opportunity and why bother about extending credits?" Of course, no answer can be given to that question, except that it is a shortsighted policy which will cause its followers to lose opportunities not to be found again.

Fortunately, there are others in America who have more foresight. The Chairman of the Shipping Committee of the American Manufacturers Export Association, Geo. E. Smith, recently declared in the newspapers that it is time to tackle some definite plan with a view to relieving a situation which may react very seriously on American manufacturers, seeking markets at a future date. A few days ago the man I quoted first, Samuel M. Vauclain, president of the Baldwin Locomotive Works of Philadelphia, in an interview granted to a representative of the New York *Tribune*, explained that, after having first given credits for a few months, he extended them to five years. He also expressed the idea that, instead of discounting notes at the banks, he though it feasible to form a corporation of from 15 million dollars to 50 million dollars capital to take this paper and issue debentures against them to the public, who, in his opinion, would be promptly educated to understand the value of these debentures. Why should not the bankers help such a scheme? In that case, the amount of money required being comparatively small, the education of the public would not require too much time.

France—a Country of Surprises

In any case, one must not think for a single moment that France is lost and will never go over the top again. Nobody in America must forget that France is a country of surprises. After the war of 1870, Bismarck exacted an indemnity which, according to his charitable expectations, was undoubtedly going to ruin her for ever. Two years later, this indemnity was paid. Five years later, in 1875, France was restored so completely, that the Iron Chancellor had to plot a new war which was prevented only through the intervention of Russia and England. Eight years later, in 1878, France offered the decisive proof of her complete rehabilitation by opening a Universal Exhibition in Paris, which aroused the admiration of the world.

Just at the beginning of the last war, France was suffering from one of these internal crises which seem periodical: Germany thought she had a first class chance to get rid once for all of her old enemy. At first, one must admit that she seemed right, but one mere month later Joffre won the battle of the Marne. Later on, everybody was certain that the French could not stand a purely defensive war, but the "poilus" defended the mud of their trenches. During the winter of 1916, came the offensive of the Germans at Verdun; Pétain was there, the Germans did not pass. Then came the "Pacifist Campaign"; Clemenceau crushed it. The big Berthas appeared; the German aeroplanes raided Paris; the people laughed at them and the French soldiers held on until Foch had arranged for the advance with Pershing and the doughboys. The Germans were beaten and the war was won.

Since the war was won, defeatist rumors have been spread in a new form: France is crippled, bled white, ruined; her people have lost their energy, have become lazy and impotent; the conditions are hopeless. A pale young Englishman who, because of his physical thinness and mental pessimism, I always suspected was suffering from chronic indigestion, Mr. John Maynard Keynes, wrote a big book to prove that Europe in general and France in particular were definitely lost and bankrupt. As I enjoy very good health and am an optimist myself, I shall answer his three hundred and fifty pages in five words: "I do not believe it."

I do not believe it even for a moment. The French people is now forty million strong; it has shown honesty all through its history, which is the oldest in Europe; it has displayed bravery in fighting during five years; it has proven its efficiency by preparing all industrial war appurtenances during the war itself and by distributing war material to its allies who could not get ready with the same speed as she prepared herself. I do not speak from a patriotic but from a purely common sense point of view: why should I believe that war has changed a people with such a record into a nation of swindlers, cowards and slackers?

Reconstruction Is Proceeding

The temperament of France has not been changed by the war. Official figures published by the French Government show that all taxes have been increased, some by 150 per cent, and that they are paid willingly by the population in spite of their heavy material losses. Provisions in the new budget allow the French Government to make advances for reconstruction: these advances will be repaid only when the Germans pay their indemnity; but, notwithstanding, reconstruction is going speedily. Of the destroyed villages in France 95 per cent have restarted their municipal life and opened their schools again; factories are being rebuilt rapidly and are put to work so that manufactured goods are beginning to be exported again; bridges, tunnels and tracks that were blown up are repaired on the railways; canals are again open to navigation, equipped anew and even enlarged; barbed wire has been cleared away and fields are already given over to agriculture. The same Mr. Vauclain has pointed out the fact that "France has made more progress in reconstruction in one year than the South made in twenty years after the Civil War. The plain folk in France can now be seen perpetually with smiles on their faces and they seem not to give a thought to their troubles." It is with an ironic smile that the twelve million of French landowners receive the prediction that they will be soon dispossessed by a small minority of socialists. They have proved by the recent elections that it would not be an easy matter. It is with a glad smile that our folk will welcome the American tourists when they come to visit France next spring. It is with a smile, or at least with a grain of salt, that I take the pessimistic views of melancholic Mr. Keynes. Mr. Keynes has been awarded a companionship of the most Honorable Order of the Bath for valuable services as a Clerk in the Treasury. I dare say that he never will be raised to a Knighthood for his foresight as a Prophet.

France has better to do than to listen to pessimists. Outside of the reconstruction work which she has begun mostly by herself, as I have shown above, she has to develop a Colonial Empire larger than the United States and Alaska and much more populous than were the United States after the Civil War. Fifty million inhabitants secure to it enough labor at a comparatively cheap price. French Northern Africa was called during the Roman Empire the granary of Rome; war, far from suspending her development, has greatly increased it. Western Africa, Congo, Madagascar, are rich in all kinds of tropical and subtropical products. So is Cochinchina, which, moreover, exports rice in large quantities. All those colonies are already, and will be more and more, a source of wealth for the Mother Country. Suppose that the American business men, merchants and bankers would initiate commercial relations between these countries and the United States. they would, by making profitable business themselves, help France to develop a part of her riches.

Entente Cordiale Must Be Maintained

The good understanding which was so prevalent during the war between the two greatest republics in the world must be maintained now; and we will ask once more the help of the American business men and bankers. To develop intercourse between the two nations, the best way is to make them acquainted with each other by bringing the men of both into personal contact. Great progress has been made along this line by the war itself, which has brought two million young Americans to France; now it must be continued by exchanging students in the Universities, by encouraging young men to study commerce, engineering and banking abroad, by sending around commercial agents. That has already been done: it must be done more and more, because nothing can be more profitable, not only for business, but to the moral welfare of the two countries and their best understanding.

As far as understanding between America and France is concerned, let me express once more the view of an optimist: France and the United States are an old married couple; they dispute often about trifles; they may even quarrel once in a while, but they esteem and love each other too much to even think of divorce.

Casenave

Our Plans for a National Budget

By MEDILL McCORMICK

Chairman of Budget Committee, U. S. Senate

We asked U. S. Senator McCormick to prepare this article for THE MAGAZINE OF WALL STREET because of the great and growing importance of the subject. Without a systematic national budget it will be practically impossible to limit our expenditures, which since the war have grown to enormous figures. Governmental extravagance, as well as individual, must be curbed and the first essential to that end is a national budget.—EDITOR.

THE economic burdens which the war has imposed upon society must energize public administrations in a degree heretofore unknown, or society will suffer an incalculable loss from its present level of civilization. This burden especially addresses itself to taxation through which control of public expenditures may be regulated, waste eliminated and public administration improved.

This is the imperative duty of the statesmen of today. In our own country expenditures have moved by leaps and bounds, even before the war, and it would seem that we can do so no further but must retrench, and the sooner we set about to do it, the better it will be for the nation.

In the matter of national administration it has been generally agreed that in order that there may be the wisest expenditures of the people's money there must be a national budget, a reversion to the first principles in government fiscal methods which the fathers had in mind when they began this government.

Alexander Hamilton, the first secretary of the treasury, was a genius whose impress upon our financial system long outlasted his own time and whose impress upon our constitution endures to this day. He was a true minister of finance. He prepared a budget when he was secretary and he appeared upon the floor of the House of Representatives and presented and justified his estimates of revenue and expenditures.

A single bill in those days carried all the appropriations just as in the British parliament today. Later Congress divided the bill and distributed those resulting among as many various committees. Imperceptibly the secretary of the treasury was divested of his responsibility and authority over a budget and the estimates came to Congress without system, unity and effective responsibility on the part of the executive.

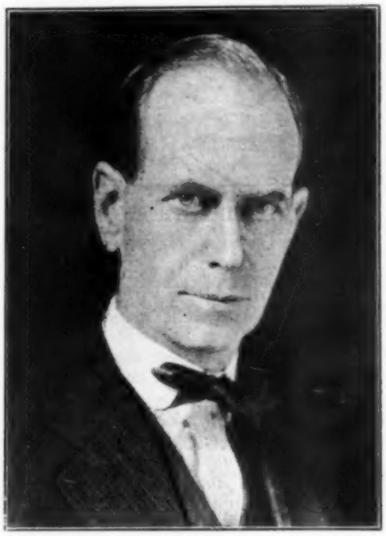


Photo by Harris & Ewing

Senator Medill McCormick of Illinois

Today fourteen appropriations are considered by Congress. The system is so cumbersome and wasteful that Nelson Aldrich, the great chairman of the finance committee of the Senate in his day, said that given authority to conduct the government as a great corporation conducts its business he would save the government $300,000,000 annually. By that same ratio he would today save the government at least half a billion dollars annually.

Obviously, if we are to adopt for the United States the budget principle as it prevails throughout the civilized world, we must adapt it to our peculiar constitution. We must make the executive clearly responsible for the aggregate estimates submitted to Congress and we must make Congress clearly responsible for the aggregate expenditures authorized by law; we must provide the executive with authority and the expert staff necessary to restrain the hungry departments, and we must reform our legislative practice and parliamentary procedure to meet the end we have in view.

The great majority of us who favor the adaptation of the budget system to the United States fiscal system believe that the president, in conference with members of his cabinet, must adopt a preliminary financial program allotting to the several departments and other establishments of the government the sums presumably necessary to carry out the administration's political program.

Obviously, the president cannot personally direct the development of the fiscal political program, although he is required to determine its general principles. Nor can any one man do it.

Most of us who have studied the budget systems of other countries have come to the conclusion that if the bureau chiefs are to be restrained in their demands upon the public treasury something more than a moral injunction to economize will be necessary. The treasury must be defended by men equipped with experience and authorized by law to defend it.

We contemplate providing, as the adjutant to the head of each department or establishment of the government, a financial secretary who shall supervise the preparation of the departmental estimates in collaboration with the representative of the director of the budget

(*Continued on page* 620.)

What Thinking Men Are Saying

Banking Interests Hopeful as to Future Credit Conditions—Federal Reserve System Defended On All Sides—Restricted Business Expected, But No Collapse Is Feared

COUNTRY'S ECONOMIC POSITION IS SECURE

Federal Reserve Board Expresses Confidence in the Future

"It must never be forgotten that productive industry is profoundly affected by credit conditions. Modern business is done on credit. One of its life-giving principles is credit. . . The utimate test of a credit system must be found in what it does to promote and increase the production of goods. True in general, the truth of this observation deserves to be particularly emphasized in the present deranged state of world industry and trade when production is the crying need of the hour everywhere.

"There need be no apprehension as to our ability to effect the transition from war-time to peace-time conditions if reasonable safeguards against the abuse of credit are respected. Our economic and financial position is, at the bottom, safe and sound. Extremes must be avoided, the processes of adjusting the volume of credit to a normal basis should be effected in an orderly manner, and its rapidity must be governed entirely by conditions and circumstances as they develop. Much will depend upon the cooperation of business. Without such cooperation from the general community progress can be neither rapid nor substantial."

FEDERAL RESERVE SYSTEM THE BULWARK OF NATIONAL FINANCE

Banking Organization Saved the Country From Chaos and Distress

H. A. Moehlenpah, of the Federal Reserve Board, in a recent speech before the Dallas group of the Texas Bankers' Association said, in part:

"The Federal Reserve System is now the reservoir of strength to the financial, industrial, commercial and agricultural interests of our country. As bankers we are beginning to understand that this law was put upon the statute books not for bankers only, that they might profit more, or for any one class, but for the interests of all our people; if you please the financial traffic regulator.

"There is not a man in this room today but who will admit that the Federal Reserve System saved, not only our country, but the world from financial chaos and distress. We could not have won the war without American men and money. Every citizen has participated in its benefits. Every stockholder in a bank has had his holdings made more secure and valuable. Does it mean anything to you, my fellow bankers, as a trustee for your depositors to be a participant in a system the capital of which is $87,589,000 and the surplus of which is $120,120,000, and the resources $6,171,747,000, and in control of over two billion dollars of gold!

"I am conscious of the fact that there are critics everywhere. No doubt there are some here today who fail to appreciate the fact that the Federal Reserve System stands as the great insurance policy, past, present, and future, who still cling to their idea and chirp and whistle because of their petty losses on exchange and their losses upon reserves a year after the war is over, even with the memory of past panics fresh in their minds, and with their deposits doubled and their profits greatly increased, having the complete confidence of the people. In spite of all this wonderful record there are still some men left who would take us back to the dark alley of narrow thinking and small doing."

THE WORLD'S STRONG MAN

—Lukens in Chicago Farm Implement News.

BANKS, BUSINESS MEN AND PUBLIC MUST PRACTICE THRIFT

President Alexander of National Bank of Commerce Calls Co-operation a Public Duty

"It is a public duty with the banks to conserve their credit to productive needs, not only to maintain the safety of their own position, but also to hasten the return of greater stability in the general business situation.

"The falling gold ratio and the credit stringency which we see as a result are sufficient warning that the time has come when this obligation of the banks must be taken most seriously. It should also be realized that the responsibility is not solely theirs and that to make adjustment complete and fundamental, business men must co-operate by not detracting credit from productive employment. I believe that an observation of these principles constitutes the only real correction to be found for present conditions.

"But the effort of the banks and business men in this direction would be rendered difficult unless supplemented by increased public thrift in spending and consumption, so that the conservation of the nation's credit resources for essential purposes may work its full effect.

"This should result in keeping the credit structure in a proper relationship with the gold basis, and it should result in restoring the proper degree of liquidity to banking resources.

"I believe that the readjustment of the present strained credit situation must come from this direction and not in any effort to increase or maintain our supply of gold at the present volume as a support for more credit than actual essential business requires. We have more than our share of the world's gold now."

POLICY OF FEDERAL RESERVE BANK HAS BEEN WISE

Knauth, Nachod & Kuhne Believe Foundations Have Been Laid of Strong Financial Structure

"In spite of the criticism which, during the past six months, has been levelled at the management of the Federal Reserve Banks, it is evident that the drastic steps which they have taken with a view to rectifying abnormal conditions have been wise, and have tended to secure a strong permanent foundation for the great business structure of this country.

"The Federal Reserve System is still in its infancy, and its achievements amid financial complications without precedent are, in our opinion, a tribute to its management, and give promise that a sounder financial foundation than has hitherto existed will be set up for the continued expansion of American business and trade operations.

"We can now expect to see evidences of that salutary readjustment in commodity prices, exports and labor conditions which, in the course of time, will enable us to play our proper part in reestablishing international financial conditions on a more solid basis."

AMERICA CANNOT BE PROSPEROUS IN A BANKRUPT WORLD

H. C. Emery, of the Guaranty Trust, Points Out Necessity of Aiding Europe

"Europe calls for more and more help in the form of credits, and, despite our caution, today I am sure the American people are going to do what is necessary to meet the emergency. But there is a wise way of giving help and a reckless way. A world which has indulged in a long debauch of war cannot return to normal except by the hard road of suffering, by hard labor, rigid economy, and severe taxation. There is no magic cure. Fresh borrowings afford only temporary relief. Again, reckless help may only increase disaster. Two things must be kept in mind:

"First—The American people should not callously let Europe collapse, if Europeans show a genuine desire for self-help and a will to sacrifice. Not only humanity but self-interest demands it, since America cannot maintain permanent prosperity in a hopelessly bankrupt world.

"Second—Europe must realize that her greatest hope lies in the continuance of a strong, solvent America, which can be of assistance over a long period. If we should give her loans now to an extent to jeopardize our own continued strength, or furnish her money merely for further extravagant expenditure, we should not retard, but merely precipitate the crisis. Our best service to the world is to keep our strength and resources intact for future needs."

FREEDOM IN AMERICAN BUSINESS SHOULD NOW BE RESTORED

Senator Harding Sees No Further Excuse for War-Time Restrictions

"We shackled, regulated, restrained, reproved and advised during the war, and it was accepted as a war necessity, but now we are at peace, actual peace if not formal peace, and it is time to unshackle. We need vastly more freedom than we do regulation and we need the restored freedom of business and men.

"There will be no return to pre-war conditions in industry or commerce. For us the rutted paths of trade have been wiped out and new avenues await. Old industrial problems have been effaced. Capital and workmen are facing a new order.

"The large wage will abide—it has been the legacy of war since our republic began. If there comes with the larger compensation to workmen not only restored but enhanced efficiency it will mark a splendid advancement. Without the added efficiency it will prove a backward step."

BRITISH FINANCES ARE SOUND AND OUTLOOK GOOD

American Chamber of Commerce in London Says No Further Loans From U. S. Are Asked

"The collapse of the pound sterling in New York is no index to Great Britain's financial strength or weakness. London is today, as before the war, the monetary center of Europe.

"Dollar exchange is really 'New York-Europe,' not 'New York-London' exchange. Great Britain is neither bankrupt nor anywhere near it. She is owed approximately twice as much as she owes America. While America may fairly expect to collect all her British debt, Great Britain is preparing to write off 50 per cent of her Continental debt.

"In spite of these facts British business and finance are in a fundamentally sound condition. Business men and workers are recovering from the effects of the war. The expression 'we are rounding the corner' is heard on all sides. Neither British bankers nor the government expect nor ask further government or long term loans from America.

"Appeals for American credit in behalf of the destitute areas of Europe should not be misconstrued as veiled appeals for assistance to Great Britain."

RETURN OF NORMAL EXCHANGE WITH CANADA ASSURED

A. E. Ames, Canadian Banker, Optimistic of Future Dealings With Dominion

"The flow of American capital into Canada is reaching unprecedented proportions. Largely as the result of the exchange situation, and doubtless in recognition of the underlying strength of Canadian economic conditions, investment in new issues of Canadian securities during the last eight weeks alone approximated $40,000,000. The same elements, coupled with the existence of the preferential tariff within the British Empire, find expression in the fact that some $125,000,000 have been invested during the past year by American companies in the establishment of new industries and branch plants in the Dominion.

HE'S NOT THE MAN HE USED TO BE, BUT——

—Orr in *Chicago Tribune.*

"However, concomitant with this situation, which has grown out of conditions that have now placed Canadian exchange in the United States at a discount of about 17%, is the expectation of the return of exchange to normal levels, and these figures thus suggest graphically the vital interest of United States business men and investors to the adequate solution of the problem of the re-establishment of the normal exchange situation between the two countries. That the problem will be satisfactorily settled is assured whatever may be the variety of solutions theoretically proposed."

HEAVY FIXED ASSET INVESTMENTS ARE UNWISE AT THIS TIME

J. H. Tregoe, of National Assn. of Credit Men, Emphasizes Importance of Keeping Surplus Liquid

"The speculative spirit is largely abroad in the land. One of the things it has fostered has been an extension of plants and enterprises under the pressure of insistent demand and promise of unusual profits. A halt in this direction must now be made. Even though the demands for certain commodities exceed the abilities of producers to supply them yet it is unwise to consider these demands as permanent; or, where certain enterprises seemingly offer unusual profits, to take the risk of investing profits and surplus in them too largely.

"Many of us no doubt have been surprised at the number of manufacturing enterprises throughout the country offering new shares of stock in order that extensions might be accomplished, or making extensions without the selling of new stock. The sale of the stock withdraws credit funds from circulation, and using it to make extensions converts liquid into fixed assets with the result that there has come a strain on our credit powers which the Federal Reserve Board is most earnestly endeavoring to correct. We deem it a point of wisdom and safety under existing conditions to sustain the Board in its purposes. Even though some business is sacrificed it were far better to keep profits and surplus liquid than convert too large a proportion of them into fixed assets.

"We find that even the small merchant enjoying unusual profits, because of the high prices of food stuffs or other products, is disposed to tie them up in fixed form, perhaps in buying a little farm or a house, though in so doing he reduces seriously the working capital of his business. It is up to the credit manager to advise against this conversion and urge the merchant to keep his funds liquid. If there is a surplus in the business it is, in our judgment, better to buy Government bonds than to use too large a proportion of profits and surplus for physical extensions or for investment in enterprises where the investment might not be available when the funds were needed."

PRIVATE OWNERSHIP'S LAST CHANCE TO MAKE GOOD

Herbert Hoover Condemns Government Control But Warns That It May Be Inevitable

"No scheme of political appointment has ever yet been devised that will replace competition in its selection of ability and character. Both shipping and railways have today the advantage of many skilled personnel, sifted out in the hard school of competition, and even then the Government operation of these enterprises is not proving satisfactory. Therefore, the ultimate inefficiency that would arise from the deadening paralysis of bureaucracy has not yet had full opportunity for development.

"Already we can show that no government under pressure of ever-present political or sectional interests can properly conduct the risks of extension and improvement, or can be free from local pressure to conduct unwarranted service in industrial enterprise. On the other hand, our people have long since recognized that we can not turn monopoly over to unrestrained operation for profit nor that the human rights of employes can ever be dominated by dividends.

"We are all hoping that Congress will find a solution to this problem that will be an advanced step toward the combined stimulation of the initiative of the owners, the efficiency of operation, the enlistment of the good will of the employes and the protection of the public.

"The return of the railways to their owners places predominant private operation upon its final trial. If instant energy, courage and large vision in the owners should prove lacking in meeting the immediate situation we will be faced with a reaction that will drive the country to some other form of control."

NEW EQUIPMENT CREDITS NOW CHIEF NEED OF ROADS

Senator Pomerene (Ohio) Estimates Requirements at From $500,000,000 to $1,000,000,000 a Year

"One of the ablest railroad men in the country estimates that 100,000 refrigerator, coal, box and miscellaneous cars are needed at once. Very few passenger coaches have been bought within the last year and at present 4,000 new cars are required and 2,000 new locomotives.

"The aggregate cost of this equipment, based upon present prices, is about $722,000,000. From $500,000,000 to $1,000,000,000 will be needed per annum for several years to come.

"For years approximately 100,000 cars a year were worn out and scrapped. They must be replaced. But these replacements are not sufficient to take care of the increased traffic. And may I suggest that much as the railroads need equipment, they need credit more."

With regard to granting labor the power, by strikes, to tie up the transportation systems of the country, Senator Pomerene said:

"The public would not lodge this power in the President, nor in Congress, nor in the courts of the land; why then should the public be put at the mercy of men who in their zeal lose sight of the public welfare and see nothing but the subject of their own controversy?"

NATIONALIZED RAILROADS IF POLITICS CONTINUE

Frank A. Vanderlip Also Attributes Credit Situation to Political Influences

"If I were to peer into the future I believe I could see the involuntary nationalization of the railroads against our good judgment. I think it will happen in the end.

"The trouble is that politics have gotten into the railroads.

"The high cost of living is caused by the invasion of our banking system by politics. It is not due to profiteering; it is not due to the extortion of labor; it is due to the inflation of our credit and currency, and it has led to great unrest. It was the Federal Reserve system which opened the door to inflation.

"Purchasing power has increased in consequence faster than production. The Federal Reserve Board could have stopped it, but politics came in. Bankers on the Federal Reserve Board reached for the brake, but until recently they were restrained by the Treasury."

GOVERNMENT CAMPAIGN HAS HELD DOWN COST OF LIVING

Atty. General Palmer States Competition Has Been Restored

"Prices have not materially increased since last summer. There have been increases in some commodities. This winter the percentage of increase over last summer is less than for any year in the past nine years. This is chiefly attributable to the campaign against the high cost of living conducted by the Department of Justice, with the assistance of state fair price commissions.

"The fundamental causes of high prices are economic and world wide. What we have been able to do has had a considerable effect in holding prices down. One important phase of the campaign has been restoration of competitive conditions in dealing with necessities of life."

PRESENT HIGH WAGE SCALE CANNOT CONTINUE

President Cumpson, Wholesale Grocer, Expects Wage Decline as Well as Curtailed Business

"Do not delude yourselves into the belief that the present era of high wages, with easy positions can continue. Every wage earner should at once commence to save a part of his earnings for the inevitable rainy day. Every business man should leave a good percentage of each year's profits in his business, for the inevitable lean years not far away.

AN AUSTRALIAN VIEW OF UNCLE SAM

"Thank Heaven, I see a pawnshop!"
—The Sidney Bulletin.

"We do not want to be classed as pessimists, but credit is entirely too cheap, both with the retailer and wholesaler. We all make mistakes. Uncle Sam makes mistakes, our friends in Albany make mistakes, your city fathers make mistakes, and the wholesale grocer who does not prepare for the changing condition is making a serious mistake."

GOOD CROPS OF ALL FOOD COMMODITIES LIKELY THIS YEAR

Prices Have Already Declined Slightly and Will Go Much Lower

With reference to recent recessions in food prices Edwin J. O'Malley, Commissioner of Markets, says:

"Two reasons for the drop are given by food experts, namely, the unprecedented drop in foreign exchange, which practically has stopped all exports of food, while stimulating the importation of foodstuffs; and huge surpluses in cold storage plants and warehouses.

"Those in close touch with the situation declare the trend of prices downward should continue steadily until a pre-war level is reached. Bumper crops of all food commodities are expected in 1920, because of the large returns the crops will yield to the farmers."

REDUCED STANDARD FOR SILVER COINS DESIRABLE

Dr. Hollander Endorses McFadden Bill as Means of Reducing Our Floating Debt

In supporting the McFadden Bill, which provides for the repeal of the repurchase clause of the Pittman act and for the reduction of the standard of subsidiary silver coins from 90 per cent to 80 per cent, Dr. Jacob H. Hollander, professor of political economy at Johns Hopkins University, said recently:

"There are three distinct reasons for the passage of the measure now under consideration. The first is that it will establish our currency system upon an unqualified gold basis by ridding the circulation of a cumbersome heritage of our bimetallic dabbling, at present quiescent, but likely at some future time to rise again and to plague us.

"The second reason is that it will permit the reduction, to a corresponding extent, of the country's very considerable floating debt, without resort to a funding operation and without exclusive reliance upon the treasury's present improvident device of providing for its floating indebtedness by anticipating the income and excess profits tax receipts of future years.

"The third reason is that it will effect a gradual and salutary correction of our present inflated circulating medium by less drastic means than still higher discount rates or bolder release of the gold reserve of our Federal Reserve system."

ENGLAND FORESEES DANGER OF AMERICAN SHIPBUILDING SUPREMACY

W. J. Noble, President of Chamber of Shipping of United Kingdom, Admonishes Countrymen Not to Under-Estimate Our Abilities

"The rise of the American mercantile fleet is one of the world facts arising from the war. It would be a profound mistake to underestimate its growing strength.

"It probably will not continue at its recent rate of progress, but the shipbuilding potentialities of the United States justify the Americans in hoping ultimately to occupy the supreme position.

"They are now, as in the middle of the last century, following closely upon Great Britain's heels.

"I have faith in my own countrymen as shipbuilders and shipowners. Britain is prepared to meet any fair competition, but no one can regard the present policy of the United States Shipping Board and that of our own dominions as fair competition.

"The policy of each is to build up a mercantile marine at any cost, relying upon the national purpose to make good any deficiency, which is a serious menace to private enterprise."

Money Scarcity Brings Lower Bond Prices

Corporation Credit Now Commands High Price—February Shows Sharp Rise in Yields—Many Bond Bargains Now Available

By **G. C. SELDEN**

THE fact will bear repetition once more that bond prices always involve two elements: (1) The price of capital, and (2) the prospects of the particular corporation which is responsible for the payment of interest and principal of the bond.

The graph herewith is an "Index of Corporation Credit" in the general sense. It has nothing to do with the credit of any particular corporation. At the same time, since such an average is almost necessarily based on railroad bonds, it is impossible to avoid a slight effect on the movements of the line caused by the general railroad outlook, as distinguished from the general credit outlook. The bonds used are of such high grade that the safety of principal and interest may be said to be assured. Nevertheless public sentiment in regard to the position of the railroads does affect the prices of even these bonds to a slight extent, usually negligible.

This point is mentioned now because the whole railroad prospect has been so prominently in the public eye while the new bill was under consideration, that sentiment of this kind has had more than usual influence on bond prices. There is no sound or logical reason why the prices of such bonds as these should be affected by the rise or fall of railroad stocks, but as a matter of fact they are slightly so affected. That partly accounts for the high February average of interest return shown on the graph, but the main reason is the restriction of the supply of credit.

I have commented from time to time on the intimate connection between bond prices and commodity prices. A turn on the broad trend of commodity prices would be followed before long by rising bond prices and a declining tendency in the price of corporation credit as shown on this graph. That is, the deflation of commodity prices will release credits which are now tied up in various commodities and will thus increase the general supply of credit available, and this will check the fall of bonds and eventually permit an advance to begin.

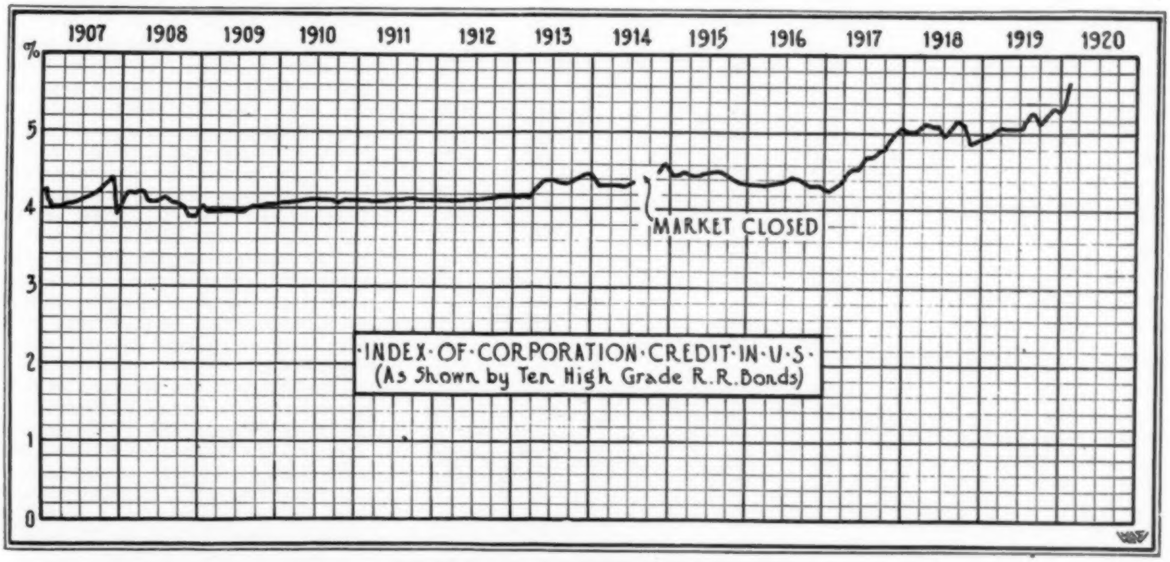
I do not expect any further advance of importance in the general level of commodity prices, though it is probable that scarcity of goods, which still continues in many lines, will compel the maintenance of substantially the present level for a time. By the latter half of this year, at any rate, commodity prices should begin to fall—not rapidly, but gradually and over a long period.

This is a point, by the way, that merchants and manufacturers should bear in mind. Broadly speaking, this is no time to stock up with goods or materials for the future, for the present scarcity of goods is certainly temporary.

Very few bond buyers, probably, have much idle money now, but those who have should be picking up bonds on all recessions. The yields from the bonds will be enough higher than ordinary bank interest rates so that the additional interest is likely to at least equal any possible gain which might result from buying bonds a trifle cheaper. Moreover, we all see that bonds are cheap, while no one can say definitely how long they will remain at these bargain levels.

When the bond market does turn, it is likely to be for a very long swing which will in time bring yields back to the 4 per cent level.

Those who are waiting for a panic in which to buy bonds are likely to be disappointed. There has been a lot of free-and-easy talk about a panic lately, especially by one market and business advisor who has quite a following. But the Federal Reserve System was devised to prevent money panics and it will fulfill its function in that particular. The high money rates in Wall Street recently might, if we had been working under the old conditions, have precipitated a panic. They have not done so because the Federal Board's policy has made the tight money local, not national. In case of real danger of panic, the Board would be taking exactly an opposite position. It would do everything to make money temporarily easy, and it has the necessary power to do that.



The above graph shows the changes in the interest return obtainable on high-grade investments. It is based on the yield (to maturity) of ten bonds which are so strongly secured that their price changes are due almost solely to changes in the general supply of capital as compared with the demand for capital. The graph is also an accurate index of the trend of high-grade bond prices reversed. That is, prices rise in proportion to the fall in interest yield, or fall in proportion to the rise in interest yield. Any average of bond prices (as distinguished from yields) is affected by the maturity dates of the bonds used. This element has been eliminated from the above graph in order to give an accurate reflection of the trend of the market for high-grade bonds

Railroad Bonds Backed by Earnings

Importance of Good Earnings Under Present Confused Railroad Conditions — Where Some Leading Bonds Stand Now

IN view of the numerous and important uncertainties confronting the railroads, **the prospective bond buyer should attempt to surround his purchase with every possible safeguard, and not the least of these is the present operating showings of the companies.** The importance of this becomes manifest when it is realized that many railroad bonds legal for savings banks in New York and other states are issues of companies that, on a hypothetical operating basis, are not covering their fixed charges.

One hears frequently expressed a belief that the roads, once they are returned to corporate operation under adequate rates, will quickly overcome the effects of artificial diversion of business and high costs, and develop rapidly an earning power sufficient to meet requirements. It is one thing for a stockholder to speculate on the probability of such an improvement in operating results, but quite another thing for a bondbuyer to invest on the certain assumption of such an improvement.

That the roads as a whole will show better operating results on their return to corporate control under advanced tariffs is beyond doubt; that a few of them will not for some time recover their former positions is nearly as certain. Performances in the past are not to be ignored in selecting railroad bonds, but, other factors being equal, the choice should rest with the security of the road that has earned a profit for the Government.

TABLE I.

1919 EARNINGS AND INTEREST CHARGES OF FOUR CREDITOR ROADS

Road	Net Op. Inc.	Net for Interest	Interest	Times earned
U. P.	$46,682,669	$55,369,700	$14,502,000	3.82
Pere Mar.	6,680,358	6,518,000	1,692,000	3.85
West Pac	3,546,456	3,753,900	1,000,000	3.75
Frisco	14,446,860	14,099,306	8,808,000	1.60

TABLE II.

PRINCIPAL BONDS OF ROADS EARNING ABOVE GOVERNMENT RENTAL.

Name Maturity	High Price since 1900	High 1919	Low 1919	Current price	Yield to Maturity
Union Pac.					
1st, 4s 1947	109	89⅞	82¼	82	5.26
Conv. 4s, 1927	124¼	89½	82	85½	6.61
Ref. 4s, 2008	100	83½	74½	74	5.40
10 yr. 6s, 1928	108¼	106	101¼	101½	5.75
Ore. Wash. R. & N.					
1st 4s, 1946	105¼	86	76⅛	68	6.55
Ore. Short Line					
1st 6s, 1922	130	106	99½	99⅛	6.00
Cons. 5s, 1946	121½	98⅞	92	91⅞	5.63
Ref. 4s, 1929	98½	87½	77⅝	81⅝	6.76
Pere Marquette					
1st 5s "A," 1956	96	90	82⅜	86	5.95
1st 4s "B," 1956	77¾	72¼	65¾	67¾	6.25
West. Pac.					
1st 5s, 1946	91¼	86½	79½	81¼	6.55
St. Louis-San Francisco					
Pr. Lien "A" 4s, 1950	73	64	53	58⅛	7.50
Pr. Lien "B" 5s, 1950	90⅞	79⅜	66½	69	7.65
Pr. Lien "C" 6s, 1928				86	8.42
Gold 6s, 1931	*124¾	106	101	100	6.00
Gold 5s, 1931	119	98	91	92	7.05
Kansas City, Ft. S. & Mem.					
Cons. 6s, 1928	*120½	103¼	99½	98	6.30
Ref. 4s, 1936	94¾	75½	60⅞	66	7.71

*High price since 1909.

Improvement Assured

It is hardly likely that railroad operating conditions in this country will be as bad for many years to come as they were in 1919. If this assumption be sound, the roads that earned more than their rental in that year have little to fear from the future, unless they have obviously profited from arbitrary routing of traffic at the expense of competitive lines.

Based on 1919 operations, the most conspicuous roads in this class are Union Pacific, Pere Marquette, Western Pacific and St. Louis-San Francisco. There are other roads that bear a creditor relationship to the Government, such as Michigan Central and Nickel Plate, but their operating incomes appear to be the result of considerations more transient than those on which the incomes of the other four rest.

Union Pacific reported for 1919 net operating income of $46,682,669 compared with rental of $38,416,111; Pere Marquette, operating income of $6,680,358 compared with rental of $3,748,196; Western Pacific, operating income of $3,546,456 compared with standard return of $1,900,000 and compensation, offered by the Government but declined by the company, of $2,322,000; St. Louis-San Francisco, operating income of $14,448,860 compared with standard return of $13,316,571.

There is no need to dwell on the margin of safety for interest on Union Pacific bonds, beyond calling attention to the fact that actual security under Government compensation, large enough in itself, is less than hypothetical security under operations. Disregarding other sources of revenue, income from interest and dividends in 1918 was $11,747,000, against debit interest of $14,502,000. The most active issues are Union Pacific first fours, convertible fours, refunding fours, ten-year sixes, Oregon-Washington Railroad & Navigation first fours, Oregon Short Line sixes, consolidated fives and refunding fours.

Pere Marquette first mortgage bonds are authorized in the sum of $75,000,000. Under this mortgage, $21,976,000 series A fives and $8,479,000 series B fours, or a total of $30,455,000 have been issued. They are secured by direct or collateral mortgage lien on 1,821 miles of road and are further secured by lien on 227 miles of leasehold and trackage rights.

Western Pacific Railroad emerged from a reorganization free from bonded debt, and the present $20,000,000 bonds represent $18,000,000 new money provided by the old bondholders. Of this sum, $7,000,000 has been invested in feeders and

equipment and more than $11,000,000 including interest is in the form of a demand deposit. Thus, while the total debt is about $20,000 a mile, the net debt, after allowance for cash in the trust fund, is less than $9,000 a mile. The mountain divisions of this road, covering 115 miles, cost $165,000 a mile to build.

The bonds of St. Louis-San Francisco System are outstanding in a larger mileage rate than the bonds of the other three, but they offer, at present prices, attractive second-grade rail investments.

Had Union Pacific been operated for its own account in 1919, it would have earned, with other income as reported for 1918, about 3.82 times its interest charges; Pere Marquette, on a similar basis, would have earned 3.85 times its interest; Western Pacific, 3.75 times its interest. 'Frisco System, on the same hypothetical basis, would have earned 1.60 times its interest as estimated for 1919, 'Frisco's charges last year having been somewhat larger than in the preceding year, due to new financing on January 1, 1919.

In the computation on 'Frisco, no account has been taken of interest on adjustment mortgage bonds and on income mortgage bonds, as neither obligation is fixed. Interest on the adjustment bonds is cumulative but on the income bonds interest is declarable if and as earned counts in the year ended June 30. On a 1919 operating basis, 'Frisco will show a hypthetical income sufficient to cover interest on both issues, preferred dividend and a small margin for the common stock. Actual income under Federal rental in the year ended June 30, 1920, will probably show between 5 per cent and 5¼ per cent earned on the income bonds, in which case an obligation will rest on the board to declare by September 1 next, 5 per cent payable by October 1, 1920.

It is estimated that all the roads under Federal operation earned in 1919 about 2.65 per cent on their combined property accounts. As considerably more than half the aggregate investment is represented by bonds, which will average to bear nearly 5 per cent interest, it is clear that the roads, on the hypothesis that they were operated for their own accounts, earned their interest charges by a very narrow margin, if at all.

Position of Japanese Government Bonds

New York Prices Very Low Because of Depreciation of Sterling Exchange — Strongly Secured—The Chinese 5s of 1951

AN unique opportunity for making a high grade investment, coupled with excellent prospects of a substantial profit, or at least a yield that is high out of proportion to the risk, seems to me to be offered at this time by three Japanese Government issues listed on the New York Stock Exchange. The opportunity arises from the fact that the bonds are payable, principal and interest, either in London or New York, at a fixed rate of exchange, whereas the natural and current rate is much depressed.

With the possible exception of Argentina, no country, neutral or belligerent, profited more from the war than Japan, and its present credit has every support that a large foreign trade, great domestic industrial activity, heavy imports of bullion and large foreign credits can give it.

During the war, Japanese Government debt increased from yen 2,530,162,513 to yen 2,742,895,353, or only 8.4 per cent., a very small increase compared with that of the other belligerents. Comparing the years ended July, 1914, and September, 1919, coinage circulation of the country increased 27.8 per cent., Bank of Japan's specie reserve increased 266.1 per cent., deposits of Tokyo banks increased 331.2 per cent., deposits of Osaka banks increased 465.3 per cent., Government railway earnings increased 134.9 per cent., foreign trade increased 192.6 per cent, national clearings increased 547.0 per cent., average price of securities on the Tokyo Stock Exchange increased 156.4 per cent.

While the foreign trade of Japan showed a small adverse balance in 1919, this year must be considered in connection with the preceding in order to obtain a true conception, for many orders placed in 1918 were held back by the exporting countries until the following year. Foreign commerce amounted to yen 4,272,419,000 in 1919 compared with yen 3,629,639,000 in 1918, an increase of yen 642,780,000. Against an adverse balance of yen 73,717,000 in 1919, the country had a favorable balance of yen 294,301,000 in 1918, or a net favorable balance for the two years of yen 220,584,000.

Imports of Bullion

There was a heavy importation of bullion in 1919, due to the lifting of the gold export embargo by this country and the redemption by Great Britain of her matured Japanese loans in cash. Against imports of bullion in 1919 amounting to yen 327,477,000, the country exported only yen 5,054,000, leaving a net accumulation for the year of yen 322,423,000.

State accounts for the year ended September 30, 1919, show receipts of yen 314,726,336, against expenditures of yen 356,754,620, of which extraordinary expenditures were yen 161,041,841. Many public works were delayed in Japan by the war, and the Finance Minister proposes the issuance of yen 200,000,000 bonds to provide funds for these construction plans. To meet additional interest charges and the deficit between receipts and expenditures, it is proposed to increase the general income tax, levy an excess profits tax and increase several of the special taxes. In view of the general prosperity of the country, the present level of taxes is low compared with the principal nations of the world.

The three issues drawn in pounds sterling, but payable at the Yokohama Specie Bank in this city, principal and interest, at the fixed rate of $4.87 to the pound are Japanese Government fours of 1931, Japanese Government first secured 4½s of 1925 and Japanese second secured 4½s of 1925. City of Tokyo fives of 1952, while payable in New York or London, call for the prevailing rate of exchange and do not, therefore, carry the same speculative attraction.

Of the fours of 1931, yen 224,068,361 is outstanding. They are secured by the general credit of the Japanese Government. The first 4½s, falling due February 15, 1925, are a prior lien on the tobacco monopoly besides being a direct obligation of the government. At the close of

ORIENTAL BONDS AND STERLING EXCHANGE

	Jap. 4s, 1931		Jap. 1st, 4½s, 1925		Jap. 2nd 4½s, 1925		Hu-Kuang 5s, 1951		Sterling Exchange	
Feb., 1919	..77⅜	75	91¼	88	92½	88⅛	72	71	4.76 9/16	4.76 7/16
Mar.,	..77⅜	76	92⅝	91	92¾	91¾	72⅛	70⅜	4.76 7/16	4.59
Apr.,	..77¼	75⅛	92½	90½	9	91	71	70	4.69	4.59½
May,	..80½	78	92⅝	90¼	92½	87½	71⅝	70⅜	4.69⅝	4.62½
June,	.. *		91½	91	92	91	71⅝	68	4.64¾	4.59
July,	.. *		91	86	91	88⅛	67	67	4.59	4.27
Aug.,	.. *		85⅝	83	82⅛	82⅛	66⅞	65⅞	4.36½	4.13
Sept.,	..73	66¾	84	81½	83¾	81¾	64	58	4.27	4.14½
Oct.,	..70½	67	85	82	84	82	61½	60	4.25	4.15¼
Nov.,	..71	66½	82½	80	82¼	80	63	56	4.16¼	3.99⅝
Dec.,	..71	63	82½	76½	82½	78	51	45⅛	3.99¾	3.65¼
Jan., 1929	..71	58	82	72½	82	71½	50	47	3.80	3.49¾

*Last sale 80½ in May

last year, yen 203,134,835 was outstanding. The second 4½s, due July 10, 1925, are a lien on the tobacco monopoly, subject only to the prior lien, and are a direct obligation of the government. Yen 213,506,265 was outstanding December 31, 1919.

Liberal Sinking Funds

Both issues secured by the tobacco monopoly have liberal sinking fund provisions. Expressed in dollars, the aggregate of these two issues was reduced from about $300,000,000 in 1906 to about $200,000,000 at the close of last year.

Profits of the tobacco monopoly for the year ended March 31, 1920, are estimated officially at yen 71,945,222, compared with actual profits for the year ended March 31, 1919, of yen 66,262,980. Estimated profits for the current year are at the rate of eight times the present interest charges on the first 4½s and four times the interest charges on both issues.

Until recently, when arbitrage trading between London and this city became general in Japanese Government bonds, they sold here much higher than at present. With the activity, came a decline practically measured by the decline in sterling exchange. That the bonds are highly regarded in Europe is shown by the fact that they sell in London to yield less than British Government issues. The two 4½ per cent issues are selling there around or slightly above par, with the general fours proportionately lower. The fact that the two tobacco issues sell only one point apart is evidence that the security for either is regarded as ample. At current rates of sterling exchange, all three issues show a discount of about 30 per cent from the London quotations.

Reason for Decline

The low price here is made by the necessity of Europeans to buy New York exchange, and the sale of the bonds here provides funds in this money market. This being true, if exchange falls lower, quotations for the bonds will show an equivalent decline. As the purchase of the bonds here is a call on sterling exchange, a transaction for resale becomes a speculation in London funds, but if the bonds are bought for investment to hold to maturity, the purchase has attached the equivalent of a guaranty that sterling exchange will recover to $4.87 by 1925—a guaranty that a buyer of a simple call on exchange could not count on. Similarly, the unsecured fours are a call on sterling at $4.87 in 1931.

The Chinese Government fives of 1951, secured by a tax on rice, salt and other commodities and a first lien on the Hu-Kuang Railway when built, of which $30,000,000 were brought out in 1911, are the only national issue of that country payable in dollars in New York, but the rate of exchange is not fixed. While the bonds are drawn in pounds sterling, they are payable at maturity at the option of the holder in dollars at the exchange rate.

The present price undoubtedly reflects in a measure the necessities of European sellers, but it also reflects in part the low state of Chinese credit. With the political uncertainties existing in that country, and the Government's need of outside financial assistance, the bond cannot rank with Japanese Government issues and contains elements of risk not found in them. At present prices, however, they offer an opportunity for speculation on the restoration of Chinese credit before their maturity in 1951.

New French and Belgian Loans

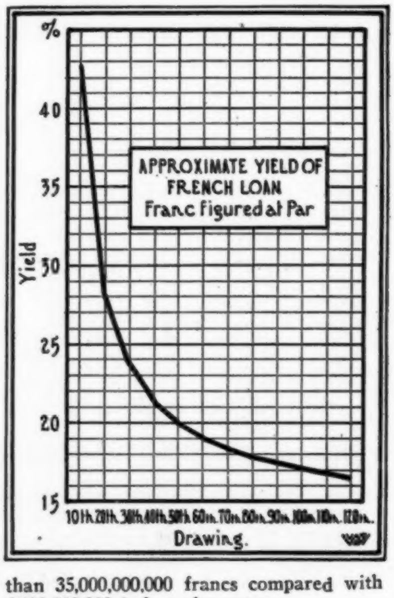
Possibilities of Large Profit—Redemption Premium and High Interest Yield of Loans

THE offered National Loan of the Republic of France and the Internal Loan of the Kingdom of Belgium afford the American investor an excellent opportunity to actively partake in the world's work of reconstruction and so to help remedy the present demoralized exchange situation.

On February 19, 1920, after completion of arrangements, American banking and investment institutions began taking subscriptions for the French loan which will close March 20. The Secretary of the French Treasury, however, has reserved the right to close the books sooner or later if he should consider it desirable to do so.

The amount offered in this country is not specified since France wishes to receive as many subscriptions as possible. The bonds to be issued in this country are available in pieces of 1,000, 2,000, 10,000 and 20,000 francs, at par. They are payable at the rate of exchange on the day of subscription. The bonds bear 5 per cent. interest and mature in 1980. Beginning with September 16, 1920, there will be semi-annual drawings, the bonds drawn being redeemable at a premium of 50 per cent., that is 1,500 francs for each 1,000 franc bond. At the date of maturity the bonds are payable at the same rate. In France the bonds are offered in denominations of 100 and 500 francs also. Until application for listing is made, which is expected to take place shortly, an open market will be created and trading will commence as soon as temporary receipts are issued.

The proceeds from the sale will be used for the reconstruction of devastated areas, for the reimbursement of the Bank of France and the retirement of a large part of the circulation which amounted at the beginning of the current year to more than 35,000,000,000 francs compared with 6,000,000,000 before the war.



Attractive Yield of Loan

The yield to maturity is approximately 5.83 per cent, but the purchased bond may be drawn earlier which, together with the speculative feature in French exchange, substantially increases the annual yield. (See accompanying table and chart.) A concrete example may perhaps help the reader understand the situation more easily.

Assume that a 1,000 francs bond was bought on the day of subscription at the rate of exchange prevailing on that day, that is, at about $70.00, and that this bond is drawn one year from now, that is at the second drawing, May 16, 1921, at a premium of 50 per cent. If the rate of exchange should remain the same (it is, however, highly probable that the rate will be higher than), $3.50 would be received in interest and $35 as premium, a total of $38.50, or a yield of 55 per cent. The approximate yield, if the franc should return to par (I have allowed five years for this) is clearly exhibited by the accompanying chart.

Features of Belgian Loan

The Belgian 5 per cent. Internal Loan offers essentially the same possibilities as the French 5 per cent. National Loan. Since the exchange is the same, the above description of the French Loan also applies to the Belgian. But while the former is of unlimited size, the latter is limited to 2,500,000,000 francs, available in 500-franc pieces. Subscription opened February 12 and will close March 6. The bonds are offered at 499 for 500 francs, 100 to be paid at the time of subscription and the remaining 399 on March 15, 1920.

The Belgian bonds mature in 1995 and are, like the French, free of all present and future taxation as to "interest, reimbursement of the principal and the redemption premium included therein." They too are redeemable at 150 per cent. by annual drawings beginning March 1, 1921.

Both the French and the Belgian bonds

must of course be recognized as containing an element of speculation. This is, in fact, clearly shown by the extraordinary inducements offered to investors. For whatever may be our hopes and desires, we are forced to admit that the future of the Continental belligerents is not yet fully assured.

Details of a 1,000-Franc Bond

Franc figured at present rate of exchange*

Drawing	Original Cost in Dollars	Investment about Interest on Original	Premium on Original investment	Total Income about	Approx. Yield, if Drawn
1st	70.00†	1.75	35	36.75	105%
2nd	70.00	3.50	35	38.50	55%
3rd	70.00	5.25	35	40.25	38%
4th	70.00	7.00	35	42.00	30%
5th	70.00	8.75	35	43.75	25%
6th	70.00	10.50	35	45.50	22%
*n*th	70.00	1.75n	35	35+1.75n	‡(20+n)5
Maturity	70.00	210.00	35	245.00	5.83%

*In this table the present exchange rate is assumed as permanent, and the yields as figured do not contain any possible exchange profits.

‡To compute yield at any one drawing, add the number of drawing (1st, 2nd, 3rd, . . . nth) to 20, multiply by 5 and divide the product by the number of drawing; this formula is applicable irrespective of the purchase price of the bond, which fluctuates according to the exchange fluctuation.

Wealth in Balkans for American Capitalists

OPPORTUNITIES for American investors are waiting in the Balkans, according to the report of a Red Cross worker recently returned from Montenegro. That country is rich in undeveloped water-power, and the people are intelligent, thrifty, and resourceful, he believes. If American financiers and engineers would go there, with faith plus dollars, great and sudden progress would be the result.

Life in Montenegro is primitive. They know nothing of the comforts and inventions which are commonplace in our lives. Kerosene is the usual mode of lighting all homes and places of business, and in many of the crude homes of the country people they do not even have this means of light. When relief workers of the American Red Cross arrived in Montenegro they found many of the peasants and refugees living in one-room huts, with neither window nor chimney. They lived without heat and light, and when the sun sank in the western horizon and went to bed, they did too. Huddled together on the floor, for warmth, they slept through the night.

When these destitute creatures came to the American Red Cross relief stations for supplies, they saw the kerosene lamps in use there. They wished they had some too. So they asked for the discarded tin cans, that had held jams and other foods for the personnel of the Red Cross, and ma e them into lamps. By removing the cover, and inserting a tube for the wick, and then soldering a flat piece of tin over the top, they converted an ordinary tin can into a good lamp. For years to come, these souvenirs of the American Red Cross Commission may be treasured in the Montenegrin homes that have received aid from this humanitarian organization.

Many persons in the Balkans never have seen an electric light bulb. Cettinje has the only electric lighting plant in Montenegro, and the only plants in nearby countries are at Cattaro, Teodo, and Ragusa, on the Dalmatian coast, and at Sarajevo and Mostar in Herzogovina. All of these except Ragusa are driven by water-power. The light plant, and also the street railway at Ragusa received their motive power from coal.

A NEGLECTED OPPORTUNITY

This river could furnish light and heat for Podgaritza if the natives knew how to develop the country's water-power

Americans who tour this part of Europe comment upon the great amount of valuable water power that is being wasted. Many rivers descend from the high mountains of this region, offering driving power for many wheels and turbines. Captain A. M. Fulford, who served with the Red Cross in Montenegro, recently returned to New York, en route to his home in Maryland. When asked about the commercial and business opportunities there, he replied:

"There is a chance for some one to make lots of money in Montenegro. The people would push ahead rapidly if some one just gave them the chance. All they need is some Americans to show them how. There is sufficient unusued water-power in the river at Podgoritza to run a good electric light plant for the city, as well as a large woolen mill employing many persons. An old mill, where corn and wheat has been ground for many years, and a loom, guided by a feeble old man, are the only industrial attempts in this city that could be made to thrive, if Americans would advance them some money and show them how to develop their natural resources. There is a big chance for the man who gets there in time. And the proposition could be made to pay."

EXCESS PROFITS TAXES CAUSE HIGH LIVING COSTS

Asst. Atty. General Howard E. Figg Criticises Taxes and Private Extravagance

"Profiteering is the least of the elements entering into the high cost of living.

"I believe that the excess profits tax is a tremendous factor in high costs. The manufacturer anticipates his excess profits tax and adds them to his overhead costs. His regular or normal profit is based upon his gross overhead, and so it is true all down the line until the commodity reaches the consumer with a normal profit of each step in the transaction added on and compounded on the excess profits tax which has increased the cost to the consumer by approximately 25 per cent. That is a gross injustice to the consumer.

"There are too many consumers and too few producers, too many idle or semi-idle, or unnecessary eaters. The million more or less idle consumers and unnecessary middle men constantly cry for more and cheaper bread. The business of distribution while necessary within reasonable bounds has become the refuge of uncounted slackers, who find it more agreeable to lay low than to toil. Our agriculture languishes and tenant farming is increasing, while business vocations are multiplied by middle men and brokers.

"Extravagance in expenditures is closely located to non-production or slackened production and hastens by diminishing process what remains. The speculator is an idle consumer, eating all the while on the vanishing supply.

Is the Motor Truck the Railroad's Nemesis?

Will Truck Competition Eat Into Railroad Profits, or Will It Prove a Boon to the Roads by Relieving Them of an Undesirable Class of Business?

THERE are a few who assert that railroad transportation will eventually become obsolete, except for long hauls of the heaviest freight. There are more, especially among those associated with the automobile industry, who predict that trucks will soon cut heavily into railroad profits.

But these opinions are based on vague generalities rather than on a careful study of the facts.

With a view to determining the facts and the probabilities, I have obtained the opinions of prominent railroad traffic men, studied the utterances of public men, investigated the claims of the motor industry, examined comparative tariffs under actual operation and received the benefit of an investigation made by one of the oldest and most conservative underwriting houses in this country.

Result Is Unexpected

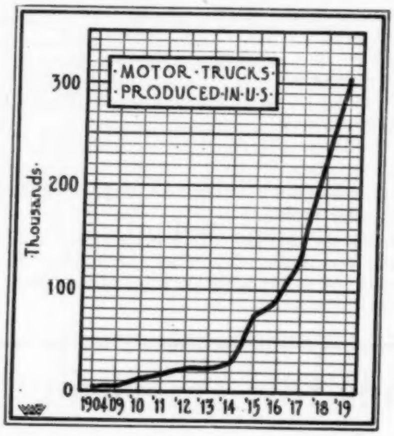
In view of the fact that there is a fixed amount of traffic to go around and any traffic developed by motor lines must be at the expense of railroad traffic, the result of my investigation was quite unexpected.

Ten thousand motor truck lines—most of them engaged in urban business—are registered with the National Automobile Chamber of Commerce by corporations or firms. This organization estimates that there are another 30,000 lines being operated by individuals, who own and drive the trucks. Several of the corporations have made investments ranging from $1,000,000 to more than $2,000,000.

During the nine months preceding July 1 last, motor trucks operating over the forty-mile highway between Cleveland and Akron carried the equivalent of 885 freight cars a week. This movement was in direct competition with Baltimore & Ohio, Erie and Pennsylvania.

The Highway Motors Transportation Company is operating twelve routes radiating in all directions from Spokane, serving 118 towns. It is on a strictly railroad basis in providing regular freight and express service, running on fixed schedules, charging the same rates with but few exceptions and being governed by Western Classification No. 55, the same as the railroads. It is a common carrier in the same sense and is under the jurisdiction of the Washington Public Service Commission, Public Utilities Commission of Idaho and Interstate Commerce Commission. It has duly published a local freight tariff on file with these commissions. As far as possible, all the departments are organized on a railroad plan, railroad men are in charge of freight and traffic departments and equipment is repaired in the company's shops. Every employe is bonded and every cargo insured.

W. J. L. Bauham, traffic manager of Otis Elevator Company, has computed relative costs of shipments by motor truck and by railroad, shown in detail in the accompanying table. He assumed that transportation cost should include all the expense involved in making a shipment, starting with boxing or packing expenses



and all other expenses incurred until delivery is made to the receiver in good order.

Mr. Bauham included in the freight cost the first class rate plus 15 cents a hundred pounds teaming charges from the shipper's warehouse to freight house, plus 15 cents a hundred pounds teaming charges from freight house to receiver's warehouse, plus 24 cents a hundred pounds increased cost of boxing to cover shipments made via freight, plus 17 per cent account of increased weight caused by increased cost of boxing. The general result of his calculations was to show that the saving by motor truck, large for short hauls, began to diminish as the haul increased and was finally extinguished as the distance became still greater.

From the foregoing developments and investigation, it might appear that this competition is of a formidable nature for the railroads—how formidable I shall inquire further.

Railroads Had Lesson

The railroads have enjoyed the benefit of much experience since they set out to eliminate the competition of traction lines which absorbed passenger traffic that the roads recovered only to discover that they were carrying the traffic at a loss. New York, New Haven & Hartford and its former subsidiary, Boston & Maine, are the most conspicuous examples of the results of this policy, but they were the worst sufferers only because their passenger business in the aggregate was the most susceptible to this form of competition. Nearly every road has had a measure of experience.

Even Southern Pacific, with thousands of miles of track across unpeopled deserts and essentially a system of long hauls, has had losses in meeting or overcoming traction competition. Although the Pacific Electric Company has one of the best and most extensive interurban systems in the world, one of Southern Pacific's largest deficits accrues from the operation of this property. The largest actual operating loss Southern Pacific has is in connection with the carriage of passengers between San Francisco and

THE MOTOR TRUCK MAKES GOOD

Running on schedule between Philadelphia and New York, this 3½-ton truck makes four trips per week and carries over 10,000 pounds per trip

suburban points across the Bay for a five-cent commutation fare.

The list might be extended to include Delaware & Hudson and many others.

When motor bus lines first began to cut into the passenger business of both railroads and traction lines, engineers proved that rubber and gasoline never could compete with steel and coal. Later, it was found passengers were willing to pay for the additional pleasure and comfort. There was also an important element of cost overlooked in the early computations. While the railroads and traction companies were forced to buy their rights-of-way and construct and maintain their tracks, the public provided the rights-of-way for the motor lines and defrayed the cost of maintenance.

This factor of a "free track" operates in connection with both freight and passengers, and, while the comfort of freight need not be considered, the packing must. Motor trucks, making a door to door delivery, transport freight with less handling than the railroads and, consequently, with less packing. Speaking quite generally, it is reasonable to assume that the business which will flow to motor truck lines is the traffic wherein the packing cost bears a high ratio to the carrying cost, and this limitation would leave the railroads practically all their long-haul business.

Trucks to Replace Rails

C. A. Morse, assistant director of operation in charge of engineering and maintenance for the Railroad Administration, speaking on this subject before the New York Railroad Club, said:

"Where heretofore development of the country for 50 miles either side of a trunk line of railroad has required the construction of light branch lines, it is a question to be seriously considered whether this policy should be continued or whether good wagon roads should be constructed and the products of farms and passenger travel should not be handled by motor trucks and automobiles to the main line.

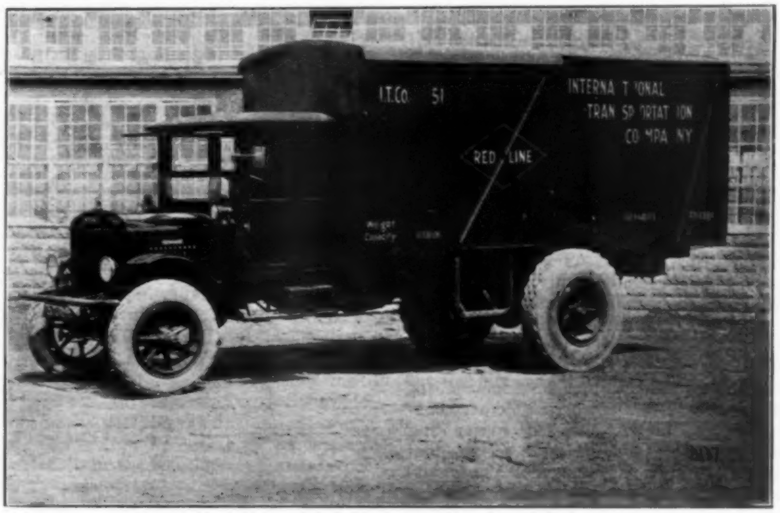
"Taken alone and considered as a unit practically none of these small branch lines pay expenses, but as gatherers of freight and passengers to increase density of traffic on the main lines they are sources of profit.

"As, however, the traffic gathered by them is turned over to the main line with a deficit attached which has to be overcome during the main line movement before any profit is made, it would be a decided advantage if this traffic could be delivered to the trunk line by means of the motor truck, tractor and automobile without this bill of expense attached."

Representative Esch, chairman of the House Commerce Committee, discussing the same subject, said:

"Development of motor truck routes as the short line railroads have been developed, as feeders to the railroads, with through bills of lading and a division of the through rates, is well worthy the consideration of Congress. The use of motor truck routes as an aid in transportation is in process of evolution, and I believe it will be a big factor in the future.

"My line of thought is that the motor truck routes might be treated when established and when the population and volume of traffic warrant just as feeders or short line railroads are treated, giving the motor truck line a division of the through rate, also applying the through bill of lading to traffic originating on the motor truck route to be transported by trunk line to destination or applying it in reverse order on traffic originating on trunk lines to be delivered to destination on the motor truck line."



NEW TYPE OF MOTOR TRUCK BODY

Strongly made of steel, similar in design to the railway freight car, this truck operates in Indiana. The rear wheels are fitted with 44x10 inch pneumatic tires

Unprofitable Traffic

Every railroad man knows there is no profit in the origination or the distribution of freight. Origination is justified by the fact that part of the freight originated is destined for a long haul, while distribution must be undertaken as a part of the service to which the property is dedicated. Both the origination and distribution of freight become particularly unprofitable when the traffic moves in less than car lots.

Union Pacific proper probably enjoys in greater measure than any other road freedom from this sort of business. It frequently has been referred to as the neck of an hour-glass. The bulk of its business is received at either end in train lots and delivered at the other end. This is the very butter-fat of railroad traffic. Boston & Maine, an aggregation of comparatively short lines, might be cited as a conspicuous example of the other extreme. It follows that motor truck competition will affect the volume of traffic of various roads in varying degree, but it is likely to be, speaking broadly, traffic that is unprofitable for the roads.

Unless freight is moving in heavy and fairly steady volume between two given points, shipments for less than 100 miles or a division are unprofitable. The tariff on a case of shoes shipped 50 miles would not cover the cost of coal consumed in stopping and starting a train, not to mention the wear on the rails and wheels and the wages of an engineer, fireman, conductor and two brakemen.

Short hauls on less than car lots when made between large cities and their suburbs are not only unprofitable but they involve heavy losses. The provision of station facilities in the large cities has become a serious problem with many of the roads—serious enough even when the carrying end is profitable. As traffic increases, facilities must be extended, and experience has shown that the gain in suburban traffic, both passenger and freight, has been mainly responsible for the additional demands on terminal facilities. It is manifest that a basis of rates adequate for the movement of local freight between two stations situated on waste land would fail by a large measure to reach the requirements of a similar traffic moving between stations whose sites were worth $10,000 a front-foot.

Railway Executive for Trucks

William C. Besler, president of Central Railroad of New Jersey, expresses the same view in this way:

"The effect in the case of steam railroads is to increase their *net* earnings. The auto truck has vastly changed to the subsequent advantage of the railroad companies the matter of intra-city and inter-suburban movement of less carload shipments, and even to some extent carload freight to the decided financial advantage of the railroads, as indicated.

"The rates for this intra-city service are utterly inadequate to meet the terrific terminal expense involved in receiving, loading, hauling a few miles, unloading and delivery. The question of time required for this movement by freight train service vs. auto service is so greatly in favor of the direct auto movement that even at an excess cost it is more desirable and advantageous to the shipper or consignee."

In addition to the heavy investment necessary in land, higher cost of living in cities and vicinity tends to keep wages higher than in less thickly peopled regions. In the cases of New York and San Francisco, both difficult of access on account of surrounding waterways, frequent rehandling, switching or lighterage further adds to the cost of conducting the transportation business. Indeed, suburban freight traffic has become so burdensome to the railroads that they are surrendering it wherever possible without regrets.

In this field, at least, motor truck lines will encounter no obstruction from the railroads, and the progress they have already made is sufficient evidence that in suburban traffic they have found the most profitable field for their activities. There is scarcely a city of importance that has not one or more motor truck line giving more or less constant and dependable service to the suburbs. It may be true that some of this traffic has developed as a result of the general congestion of railroads at terminal points, but a great deal of it rests on a condition much more fundamental than this.

Life Is Before Them

There is another condition that favors motor truck lines. As a newer enterprise, their establishment has been less scientific and systematized than that of the railroads, and the future holds out to them more hope of economies from development than to the steam roads, which have been undergoing development for a century. While not altogether haphazard in their choice of routes and method of operations, it is certain that they have not had the benefit of organizing experience such as the railroads enjoy.

Business enterprises, like pugilists, must acquire reputations before they can hope to attract money, and the motor truck as a common carrier, while far past the experimental stage, has not behind it the years of successful history necessary to attract many investors. When this time comes, many economies possible only to operations on a large scale will result, and not until then will it be possible to say just where the division of freight traffic between motor trucks and the railroads will occur; but the beginning of this comparatively new industry is certainly more auspicious than the puny transactions that finally led to the nationwide operations conducted by American Railway Express.

While there is no record of an interurban motor truck line having gone into the general investment market for money, a merger of 27 New York City companies was recently underwritten by one of the oldest and most conservative bondhouses in the country as United States Trucking Corporation, with $2,000,000 of 8% cumulative preferred stock and 80,000 shares of common of no par value. As the interurban motor trucking business develops, it may be expected to follow this lead.

A Welcome Innovation

Innovations of a permanent nature are gradual, and the growth of the motor carrying business will point the way to further growth. That errors will occur in the beginning is unavoidable. Success will prompt extensions, not always successful, but the general development will be toward a successful and permanent industry. In launching new undertakings in this field, there is danger that operations forced by exceptional conditions will encourage promoters to undertake more permanent operations along similar lines. During the war, motor-truck trains moved between points 1,000 miles distant, but the movement of the freight was imperative regardless of cost, and the capacity of the railroads was already overtaxed.

The future of the motor truck as a freight carrier within limitations seems assured. In suburban traffic, it has stood the test of several years' time, and in this field it will meet encouragement rather than obstruction from the railroads. In handling small lots over short hauls, it will likely make further inroads on railroad business, but at no great financial loss to the railroads.

After balancing the opinion of one side against opinion of the other, and as far as anyone can see at this time, it seems a fairly safe assumption that the profitable operation of motor trucks as common carriers will end about where it begins to make serious inroads on the profitable freight traffic of the railroads.

Comparison of Costs Between Less-Carload Freight Movement and Motor Truck Transportation Per Hundred Pounds

From Yonkers to—	Via Freight	Via Motor Truck
Newark	$1.04	$0.20
From New York to—		
Newark	.91	.15
Passaic	.91	.18
Paterson	.91	.20
Elizabeth	.91	.20
New Brunswick	.91	.40
Trenton	.98	.60
Philadelphia	1.02	.80
Chester, Pa.	1.05	1.00
Wilmington, Del.	1.13	1.20
Coatesville, Pa.	1.15	1.05
Port Chester, N.Y.	1.02	.63
Greenwich, Conn.	1.02	.63
Stamford, Conn.	1.03	.65
Norwalk, Conn.	1.06	.68
Bridgeport, Conn	1.10	.70
New Haven, Conn.	1.13	.73
Derby, Conn.	1.13	.73
Ansonia, Conn.	1.13	.73
Shelton, Conn.	1.13	.73
Naugatuck, Conn.	1.15	.74
Waterbury, Conn.	1.16	.75
Meriden, Conn.	1.16	.75
Hartford, Conn.	1.21	.90
Springfield, Mass.	1.25	1.00
Holyoke, Mass.	1.25	1.00
Worcester, Mass.	1.31	1.50
Boston, Mass.	1.36	1.50
Providence, R. I.	1.32	1.10

THE PAR POINT COLLECTION CONTROVERSY

Regardless of the fact that the State Bank section of the American Bankers' Association at the last convention in St. Louis voted to go on record as opposing the par remittance to the Federal Reserve Banks, there are not a few of those State institutions which have disregarded the resolutions adopted, and still continue to send their checks to the Federal Reserve Banks for payment at par.

Some of these State banks, and particularly those in the Southern States, are somewhat bitter in their denunciation of the par remittance, claiming that they (the State banks) are giving to the Federal Reserve System "something for nothing." There appears to be considerable to say both for and against the plan, and for some time past the banking journals have been busy discussing it.

According to officials of the Second Federal Reserve Bank, of the 29,586 banks and bankers in the country 25,581 are now on the par list. Checks drawn on all banks and bankers situated within thirty States are collectible at par. This means that items drawn on over 86 per cent of the total number of banks and bankers throughout the entire country can now be received for collection and credit by the Federal Reserve Banks. During 1919, 6,581 banks were added to the par list, leaving only 4,014, or 14 per cent of the whole, whose checks, as yet, cannot be collected at par.

The comparatively small number of banks that continue to send their checks for clearance to the Federal Reserve Banks are doing so, apparently because it is more convenient for them, and the slight financial loss involved is a negligible factor which is overbalanced by the promptness and accuracy of the service. It is evident, however, that the country banks, irrespective of affiliation or non-affiliation with the Federal Reserve System, do not intend to abandon their check collection privilege without a struggle.

A PLAN TO HANDLE LOW EXCHANGE RATE

A plan which has for its object the assisting of its French customers during the present financial situation has been formulated and put in practice by an American house which has French connections.

According to the plan, a French merchant who desires to purchase a large bill of goods from the American house objects strenuously to paying for them at the present rate of exchange, and is firmly of the opinion that within two years, or less, the franc will increase in value to about seven to the dollar. The American house, through its French agent, then agrees to sell the bill of goods for cash on the basis of seven francs to the dollar, the balance to be paid by a three months acceptance with interest at six per cent. This acceptance will be renewed every th e months for a period of two years, and, if by that time the francs have increased in value to the amount of even to the dollar, the acceptance will be cancelled. By this method the purchaser would have merely paid the interest on the deferred amount at a rate sufficient to enable the American house to carry the credit without loss.

But, should the dollar, at the end of two years, still be worth ten francs or more, the French merchant will pay the acceptance and also the difference. The first payment remains in France as an investment, and it can be seen that the American house has little chance of losing. Several respectable sized deals have been negotiated on this basis, which otherwise might not have been possible.

Position of the Pacific Rails

Why Has the Southern Group Done Better Than the Northern?—Prospect for Hill Roads, St. Paul, Atchison, Southern Pacific, Ill. Central

NEARLY all investors who have held railroad stocks for any length of time have losses at the market. Holders of a few railroad stocks are confronted with the probability of further losses. On the other hand, holders of other stocks have only to keep holding to recover their losses.

Unless the market has fully discounted the tendency of operating results, which I doubt, this suggests the possibility of profitable switches. Have you examined your holdings of railroad stocks with this possibility in view? If you haven't, you should do so without loss of time, for the trend of the market shows that others are doing so.

In the expectation that Federal operation would work some strange contortions in railway earnings, I began about two years ago to study and apply monthly operating statistics, to determine if possible what changes were due to artificial diversion or arbitrary routing and what were due to more fundamental conditions. Most of the changes of the first sort may be expected to right themselves within a reasonable length of time after March 1; the others will need indefinite time.

The result of these studies was to uncover a very interesting situation among the Pacific roads. I purposely excluded Union Pacific from consideration, because this will continue to be the big uncertainty in the railroad list until the United States Supreme Court has finally passed on the recapture provision of the Cummins bill. As a road of dense traffic and high rate of return on its property account, it might suffer from this form of sequestration sufficiently to endanger its present ten per cent. dividend. Instead, I selected Illinois Central, in which Union Pacific has a large interest.

Great Northern Handicapped

An examination of the earnings of the Pacific roads for the past two years would show that an increase of ten per cent. in freight rates would provide them, as a group, with six per cent. on their property accounts, but such an advance, unaccompanied by other relief, would not provide Great Northern with sufficient net to cover its 7 per cent. dividend. Is this due to an artificial situation, which will soon remedy itself?

I fear not. Reference to the accompanying table will show that Atchison and Southern Pacific, had they been operated for their own accounts in 1919, would have earned safe margins over their dividends. On the same basis Northern Pacific would have earned about half its dividend requirement, still leaving the read in a position where it might cover the requirement under a substantial increase in rates. Great Northern, on the same basis, would have earned $1.54 a share on its 7 per cent. preferred stock.

It will be noticed that the successful roads operate in central or southern Pacific territory; the unsuccessful, in northern Pacific territory. Could arbitrary routing solely produce this result?

If rates on through business—and this is profitable business—are raised in the north more than in the south, the result will be to force business south. Evidently, the remedy, if there be one, does not lie in that direction.

Three Pacific roads serve the Coast through Washington; four serve through Oregon and California. To the north, there is the competition of two Canadian roads. The nearest competition on the south is the Panama Canal. Washington originates a small traffic compared with the two states to the south.

St. Paul, through its Puget Sound extension, is carrying an increasing volume of Pacific freight. Some of its business comes from the development of its territory; some from its two principal competitors in that region. This raises the question whether north Pacific traffic is not too thin at present to keep three railroads on a dividend basis, and whether Northern Pacific and Great Northern are not likely to follow the action of St. Paul in reducing dividends.

Atchison vs. So. Pac.

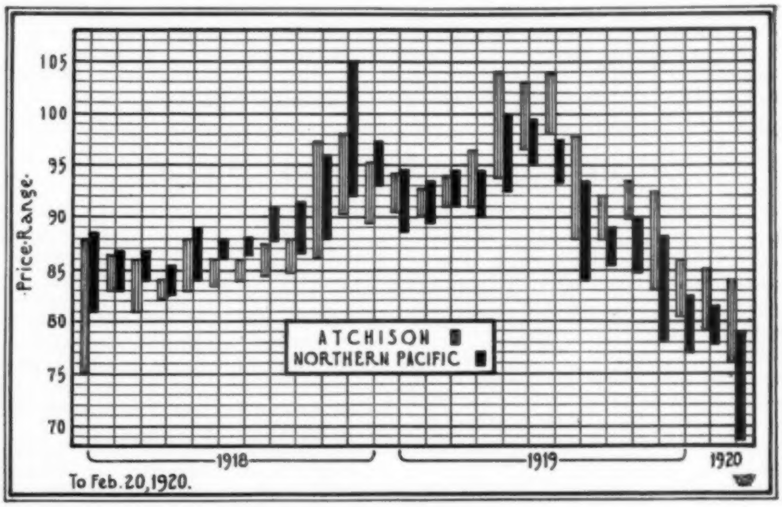
As between Atchison stock and Southern Pacific stock, I would accord to the former the single advantage of selling lower. Southern Pacific has had no friends at court. *It has suffered from, rather than profited by, arbitrary routings.* The velvet of its business was formerly through traffic via its Sunset Lines and its steamship lines. Part of its boats were commandeered by the War Department and the U. S. Shipping Board, and the rest were operated at a loss by the Director General of Railroads. I suspect that Atchison has not suffered severely from the activities of rival railway courtiers.

Southern Pacific has a better collecting system than Atchison in Central California, and ten years have made a great difference in the respective territories of these two roads in Southern California, Arizona and New Mexico. The region tributary to the Sunset Lines in these three states has developed in that period as Atchison's territory in the same states can never develop. On the other hand, Atchison, from western Kansas east, traverses a region unsurpassed by any road as an originator of freight traffic.

Too much, rather than too little, has been said about Southern Pacific's oil lands, but the fact remains that these properties, unlisted among the assets, should in the course of a few years provide a net income of $4 a share. Northern Pacific also has oil prospects, but only prospects.

Illinois Central has lost some business through artificial diversion, but its ratio between gross and net shows that other factors have operated to produce its unfavorable results. The tremendous volume of through business from New Orleans to Chicago induced the road to place in effect a very low rate. In normal times the tariff was profitable because, while the margin was small, the traffic induced thereby made the return satisfactory on the property in use. In a period of rising costs, revenue based on such a rate naturally would be overtaken by expenses before much other revenue. Illinois Central, to continue on a 7 per cent basis, needs not only to increase the volume of its traffic but a very substantial advance in rates.

Several months ago, one of my most intimate friends, who had just inherited



bureau to be established. If these twain cannot agree, provision will be made for appeal, which, if the disagreement is one between heads of the cabinet, shall and a large fortune, submitted to my judgment his list of railroad stocks and bonds, all purchased by the estate at much higher prices. In most instances, the worst was known and the prospect of salvage was slight, but he had a block of Northern Pacific. This stock was then quoted at 87 and I advised him to sell and buy Southern Pacific, which was then around par. Marketwise, the advice is not so good now as it was then, but the fundamental conditions on which the advice was based have not changed.

To continue to hold Northern Pacific, Great Northern or Illinois Central is to speculate on the uncertain likelihood that their operating results will show marked improvement before September 1, 1920. The purchase of Southern Pacific or Atchison, as far as I can see at this time, is not attended with the same speculative hazards.

COMPARISON OF PACIFIC RAILS

Road	Per cent on stock under 1919 rental	Per cent on stock under 1919 operations	Price of stock	Dividend rate	Yield	Per cent of hypothetical net under operations, on price of stock
Atchison	$11.17	$10.89	84	6	7.1	12.96
Great Northern ..	8.04	1.54	78	7	9.0	1.97
Illinois Central ...	10.83	,51	88	7	8.0	.58
Northern Pacific ..	8.45	3.70	79	7	8.9	4.69
Southern Pacific .	10.57	9.10	98	6	6.1	9.28

NOTE—Under rental, Great Northern would be increased to $11.04 and Northern Pacific to $11.45 by including their proportion of Burlington's surplus after dividend under rental. Under 1919 operations, Great Northern would be increased to $3.04 and Northern Pacific to $5.20 by including their proportion of Burlington's hypothetical surplus after dividend under operations. Southern Pacific returns are computed on the increased stock issue as of end of 1919.

Plans for a National Budget

(Continued from page 607)

must be taken to the President to decide between them, something which is very rarely likely to occur.

The budget bureau would collect and apply the sum of all its experience in efficiency and economy. The treasury at the same time should be relieved of its non-germane functions and the secretary of the treasury have restored to him the authority and responsibility he had under Alexander Hamilton.

He would be as other ministers of finance in the world. He would survey the whole field of income and outgo. He would be able, as the facts developed, to counsel his colleagues in the cabinet and in measuring the estimates of expenditures against the actuality of revenues as they develop, cut the suit to meet the cloth.

If we so centralize and make manifest the executive responsibility for the preparation of the estimates, we must at the same time concentrate in a single committee the responsibility for the aggregate sum of appropriations to be voted by Congress. But we cannot look to Congress to discharge the full measure of its responsibility unless we establish an examination and audit of expenditure, independent of the political exigencies of administrations as they come and go.

The office of the comptroller and auditor general to be established must be permanent in its personnel and amenable to the demands of Congress for that constant examination if the executive efficiency we desire is to be attained, but which it is impossible for any committee of Congress to insure.

The foregoing are our plans for the problem that confronts us. Let me say with all emphasis and solemnity that as a democracy depends upon the preservation of its representative character, so do representative institutions depend upon responsible and effective control of expenditures. There can be no sure social progress in the modern state unless it is founded upon upright, efficient, frugal public administration.

* * *

The people of our country have been poor investors. The poorest citizen of France has known all about his Government bonds for hundreds of years. Our Liberty Loans awakened an investment interest, however, which has come to stay. You must keep your education up to and above the average of the times.

RAILROAD COMPENSATION

The first decision of the Board of Referees, for which provision is made in the Railroad Control Act, sustains the position of the appellant as against the Director General in the matter of additional compensation, and, if the decision marks a general policy of the board in similar cases, it is reasonable to entertain the hope that the rental of several roads, with which no contracts have been made, will be materially increased above the standard return during the test period.

In the case of the Midland Valley Railroad, whose compensation was fixed by the Railroad Administration at standard return, or $440,000, the Board of Referees allowed $765,679, or the net railway operating income of the property, after adjustment of equipment hire and joint facility rents, for the year ended December 31, 1917.

The Railroad Control Act provides for additional compensation for railroads in receivership or undergoing reorganization or for other exceptional reasons whereby the net operating income of the test period would not be a fair criterion of the property's earning power during Federal control. The Director General, however, allowed no additional compensation under this provision of the Act.

Several important roads, including Missouri Pacific, Rock Island, 'Frisco, Wabash, Western Pacific and others, filed claims under this provision but have received no allowances. Rock Island, which was in no financial position to prosecute its claim against the Administration, finally signed a contract on the basis of standard return, although in this road's case the amount was clearly inadequate.

Western Pacific is the only road besides Midland Valley that has actually filed notice of appeal, and one of the claims in the company's brief will be for a rental computed on the same basis as the allowance made to Midland Valley. Net railway operating income of Western Pacific, after adjustment of equipment hire and joint facility rents, for the year 1917 was $3,016,231, compared with standard return of $1,900,350, an increase of $1,115,881, or more than 50 per cent.

The Wall Street Mosaic

It is in Wall Street that economic laws find their most accurate and responsive expression, and it has been the experience of mankind that tampering with economic law is generally costly. Not that there is anything sacred about economic law. It is simply the best method we have found so far of adjusting the business of life to the circumstances under which it has to be carried on. But the mere fact that this process of adjustment has been going on for centuries makes the wisdom of sudden or sweeping changes very doubtful.

The Wall Street of 1950 will undoubtedly be as far ahead of to-day as to-day is ahead of the Wall Street of the Civil War, but the change must come slowly and naturally—by well considered legislation and improvements in banking practice. There is no piece of the machinery which could be taken out and thrown away, because each piece has been fashioned by practice to meet some real demand.

American International's Policy Far-Sighted

Corporation's Investments Permanent—Losses Caused by Labor Unrest Offset by Profit from Hog Island Contract—Future of the Plant—Company's Many-Sided Activities —Good Outlook for Future

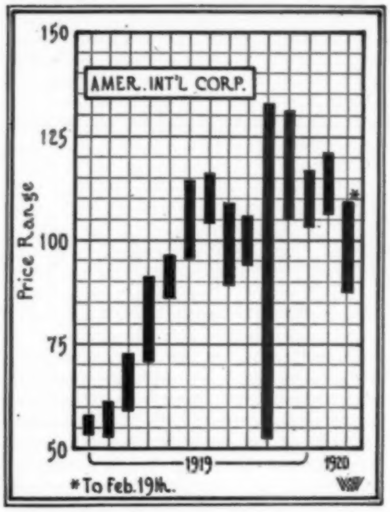
RECENT rumors concerning the corporation's intention to dispose of its holdings of International Mercantile Marine, United States Rubber and other stocks are without any foundation whatever, according to a statement made to the writer by one of the company's officials. Practically all A. I. C. investments were made at rather low prices, but they were meant to be permanent. Any paper profit may therefore be disregarded entirely and the value of the stock considered only from the investment standpoint. To be sure the great changes, social, political and economic, which are taking place throughout the world could not be expected to leave wholly unaffected a company which was organized for the purpose of participating in such domestic and foreign enterprises "as will broaden the scope of American activities and lead to better understanding of international relations." Labor troubles and social unrest in this country and in South America, where the company is operating on a large scale, especially the recent strike in Buenos-Aires, caused the company considerable losses; for, even an organization of the size of A. I. C., composed of the "business and financial brains associated individually with the most successful institutions in the country" cannot be immune against such influences.

Profits from Hog Island Contract

The loss accrued in this country and in South America, however, was to a large part offset by the company's net profits derived from the Hog Island Contract. After the delivery of all ships the company is building, a net profit of about $1,150,000 will be realized. Under an agreement just reached between the company and the Shipping Board, the latter has the right to purchase the land on which the plant is located instead of waiting until the completion of the contract as was provided originally.

This contract seems to have been made primarily to enable the Government to either sell the whole plant or make other arrangements for its disposition. The conversion of the plant which covers 860 acres along the Delaware River and whose basin comprises seven 1,000-foot piers, into a great terminal for European or coastwise traffic, might prove of extraordinary value. Each pier is about 100 feet wide and is equipped with double railroad tracking with sufficient room for other tracks if necessary; each pier could accommodate four ships and facilities could be greatly increased by the addition of more piers, which could be accomplished without much difficulty. Cargoes could easily be handled by a suitable adaptation of the railroad system used for the transportation of material to the yards.

Shipping and business circles in Philadelphia are eager to further develop the port which may eventually enable Philadelphia to vie with New York in the European, South American and Coastwise trade.



A. I. C.'s Many-Sided Activities

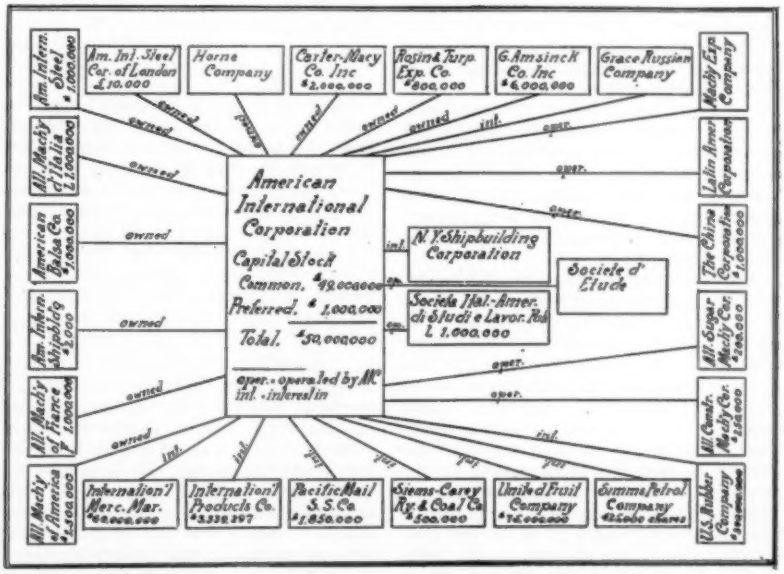
The principal business and objects of the corporation are the development of export and import trade, the use of American materials and manufactured products abroad; the employment of American capital and American engineers in the construction of foreign enterprises, the enlargement of the system of ocean transportation under the American flag, and finally the encouragement of business men in this country in the undertaking of projects abroad and in extending other domestic opportunities to foreign countries.

All this was prompted chiefly by the fact that for many years to come practically all funds of capital for international development must come from the United States. The fountains of capital in the continental countries have ceased to flow and there seems little hope that the European powers will at any early day be able once more to furnish capital for international development; for the most terrible war in history has sacked their richest territories, wiped out their productive capital, killed millions, disabled and wounded others.

A full return of peace prosperity throughout the world cannot be looked for in the very near future. And so the corporation's officials deemed it incumbent upon themselves to study and cultivate that field of international finance and to direct into it capital, technical skill and administrative experience, thus hoping to attain for our country a position which has long awaited us in world affairs.

The accompanying chart will give an idea of the many companies American International owns, controls or is interested in. In addition, it is now negotiating several large financial contracts of various kinds (including cotton goods mills in Czecho-Slovakia), and some of these are expected to be closed shortly.

A. I. C. Many Sided Activities



The company is also about to undertake on a larger scale than heretofore the financing of foreign business such as state, municipal and other public improvements and it is held that this line will prove very profitable in the near future. But as is the case with all large scale enterprises, the developments are somewhat slow as is seen from past earnings and the investor in A. I. C. stock should not look for spectacular earnings in the near future.

Market Position and Outlook

The recent decline of the stock with $100 a share fully paid, fair earnings since the organization in November, 1915, under the laws of the State of New York, with a capital stock of $49,000,000 common and $1,000,000 preferred, was not, as believed by many, due to the demoralized foreign exchange situation. However, I am inclined to think that since the company, through its many subsidiaries, is doing a large export and import business all over the world, it naturally could not remain wholly unaffected by the constant decline of foreign exchange.

FOUR-YEAR INCOME STATEMENT
In Dollars Per Share.

	Net	Dividend Paid§	Surplus	Working Capital
1916	4.97	.75	4.20	8.35
1917	7.50	3.14	4.36	9.60
1918	7.44	3.63	3.81	12.11
1919	10.00*	4.50	5.50	17.45*
Average ..	6.98	3.01	4.46	11.88

* Estimated.

§ Of every further disbursement above the 7 per cent dividends the preferred will receive 20 per cent and the common 80 per cent.

None the less, the effects are not by any means so far-reaching as is feared in timid circles. The stock at the prevailing low price offers good possibilities, especially since the corporation's high calibred management, which includes such men as Vanderlip, Stone, Webster, Du Pont, and others, has been steadily building for the future and there is every reason to believe that the tendency toward increasing earnings will be exhibited in years to come. Vol. 25, P. 336-424.

What of the Express Companies?

Position of These Companies in the General Confusion Which Follows Government Control

OF THE four old express companies, three are in liquidation or contemplating liquidation, and it is interesting to inquire what their stocks will pay. Are the stocks selling above or below their liquidating values?

American Express is the only one of the four that is likely to continue as a going concern, and even this company is not anxious to resume the express carrying business in the United States. Wells Fargo & Company is willing to retire as a common carrier, and has disposed of some of its assets in the past year. Adams could hardly re-engage in the express business, and United States Express Company has been in course of liquidation for several years.

The Railroad Administration took over the express business of American, Wells Fargo, Adams and its subsidiary, Southern Express, as of July 1, 1918, under a form of contract that has yielded the old companies less than nothing. At this time, they were employing in their express business about $30,000,000 worth of property, which was turned over to the American Railway Express Company, organized for that purpose.

American Railway Express, which issued its stock to American Express, Wells Fargo and Adams in exchange for the property delivered, entered into a contract with the Railroad Administration whereby American Railway Express was guaranteed against an operating deficit but, unlike the railroads, received no guaranty for the use of its property. Net operating income, if earned, could be retained to the extent of five per cent on its capital stock. The next two per cent, after the accumulation of a ten per cent guaranty fund, was divisible in the ratio of 40 per cent to the company and 60 per cent to the Director General, and the next three per cent was divisible in the ratio of one-third to the company and two-thirds to the Director General.

These divisions of income are merely of interest to the curious, because American Railway Express in the first year of operations showed a net operating deficit of more than $20,000,000, and is still reporting monthly deficits. If the Railroad Administration had not guaranteed the company against operating deficit, losses to date would have been more than enough to absorb the $30,000,000 worth of property devoted to the business.

Such a showing, of course, makes the stock of American Railway Express valueless and the only hope of imparting value to it lies in future operations under higher rates. This is important to consider, because a substantial part of the assets of American Express and a large part of the assets of Wells Fargo and Adams consist of this stock.

American Express

American Express Company issues no statement but it gives every outward evidence of unusual prosperity. Shortly after it turned its express property over to American Railway Express, it purchased the money-order and general fiscal business of Wells Fargo and Adams, and began immediately a campaign of expansion in this department. Particularly, in the foreign field was this department of American Express extended, and at a time when the volume of business offered was exceptionally large.

The time that elapses between the issuance of a money-order at one office and its collection at another enables an issuing company to carry large sums of non-interest-bearing money. It has been reported that American has had at times as much as $10,000,000 in this fund, but the company denies that the sum has ever been so great. It has undoubtedly been several million, and American Express has had a large part of the fund loaned out on call during a period of unusually high money rates.

American Express has also established a travel department, in connection with which it has undertaken an extensive advertising campaign. More recently the company, through a syndicate in which it had a controlling interest, purchased Wells Fargo & Company of Cuba, which has contracts covering the express business on the railroads of the Island.

Regular quarterly dividends of $1.50 a share, or 6 per cent per annum, are being paid by American Express, and earnings in 1919 are rumored to have been between $12 and $15 a share, but this is mere gossip and there is really no reliable information on the subject. The most that can be assumed is that the company earned a very substantial surplus over its dividend requirement. It is the only express stock in the investment class.

American Express Company is a joint stock association, and as such tells its owners as much or as little as it likes about its business. All that is known about the company filters from the center, first through the inner circles, and then to the outer, just as gossip, before the days of the press, depended on the agency of the quilting bee. This system makes American Express a good stock for the insider and a gamble for all others. Around par, the stock yields only 6 per cent, which is not enough with prevailing rates for money, unless the price is really discounting an increased dividend.

Wells Fargo & Co.

Wells Fargo & Company's last balance sheet, as of December 31, 1918, showed a surplus of $3,278,369 for a stock issue of $23,967,400, or a book value of about $113 a share. The showing was made, however, by appraising $10,548,700 stock of American Railway Express at par. The present price of Wells Fargo stock, selling around 50, shows that the market has written American Railway Express stock down to nothing. But there are other write-offs necessary, if Wells Fargo be regarded as a liquidating concern.

In the last balance sheet, the company listed among the assets $4,674,034 stocks and $10,893,051 bonds. These are nearly all railroad issues and the book value represents the cost prices many years ago. Some of the stocks are no longer in the dividend class, and some of the bonds are no longer in the highest class of investments. In addition to the general decline in railroad issues, present value of Wells Fargo holdings is also affected by changes from investment to speculative class.

In the last balance sheet, current assets were $1,952,046 against current liabilities of $2,807,093. Since that time a good many of these liabilities have been discharged, but only after selling securities held in the investment account.

Wells Fargo & Company of Mexico holds contracts to operate over 14,000 miles of road in that country, but no operations have been conducted for several years and none is possible under existing conditions.

It is certain that Wells Fargo could not liquidate today for $50 a share on the stock, but given time the company might be able to distribute more than that. Such a hope, however, would have to be based on the expectation that American Railway Express stock will finally have some value—a difficult view to take in the existing outlook. I doubt very much whether the immediate and reasonable outlook for liquidation holds out much hope of profit on the purchase of the stock at present levels.

Adams Express

Adams Express Company's balance sheet as of April 10, 1919, shows the stock to have had a book value of $27.02 a share, but the remarks of President Barrett disclose that this was a mere guess, albeit the best possible guess at the time. Realizations on the stock under the proposed liquidation of assets may be much greater, while, under unfavorable circumstances, the shareholders may have large personal liabilities on account of their holdings.

As the organization is a joint stock association, any shareholder is liable for the total unliquidated debts of the association. An attempt was made to protect shareholders against this liability by making any debts after liquidation of assets a prior lien on the collateral securing one of the bond issues, but there is some question whether this provision is legal. At least, it has been attacked in the courts.

In the balance sheet, the outstanding four per cent bonds of the association are carried at par, while the collateral is carried at the market, with the result that these offsetting items show a deficit of $3,783,068. As President Barrett has pointed out, the payment of some of the collateral before the maturity of the association's bonds will permit of the purchase of the bonds at a discount, with the result that the deficit will be diminished if not wiped out.

The Adams Building, which was carried in the balance sheet at $6,756,047, the book value of the building company's securities, has since been sold at a price understood to be $9,000,000. This would give a recovery of $2,243,953 beyond the book showing. This sum plus the deficit between collateral and outstanding bonds is $6,027,021, or $60 a share on the stock more than the book value. In other words, under the most favorable circumstances, the stock might liquidate at $87 a share.

On the other side, the possibilities are equally uncertain. The face amount of unadjusted damage claims on April 10, last, was $4,813,652, and the face amount of personal injury damage suits $1,613,665. Railroads also claimed for unpaid express privileges in the last six months of 1917 $1,339,473, all disputed by the association. These three items totaled $7,766,790, against which the association set up a reserve in its balance sheet of $3,390,000. The allowance for the damage claims contemplated that they could be settled for 60 cents on the dollar, and I have been advised recently that 90 per cent of these claims have actually been adjusted on a better basis than the company assumed.

Adams owned $6,627,930 stock of American Railway Express, the rest having been turned over to the Railroad Administration in payment of settled damage claims. The stock was carried at par, while its real value is problematical. It is true that Adams turned over valuable physical property for this stock, but the property at present, on the operating showing of American Railway Express, has only a scrap value, while the stock, on the same showing, would prove to be a liability.

If American Railway Express stock has to be written off and the railroad claims are upheld, the two items would amount to $80 a share on Adams stock, or a net liability of $53 a share after deduction of the book value.

An asset value of $87 a share or a liability attachment of $53 a share may be figured out, therefore, from the books as the extreme of possibilities confronting Adams stock. It may be stated as a certainty that Adams, even after the sale of its building in a favorable period, will have difficulty in saving its American Railway Express stock undiminished for its own shareholders.

Even after assuming the foregoing, namely: that this investment will be held intact from liens, I doubt very much whether I would care to pay $30 a share for Adams stock for the privilege of speculating on the very uncertain future worth of American Railway Express stock, and I have never been able to understand why these shares sold up to 64 long after the worst was known and had been published.

United States Express

United States Express Company was fortunate in beginning liquidation before the period of unprofitable rates when operating deficits began to absorb assets and to escape the terrible operating conditions of the winter of 1917-8 when damage claims accumulated sufficient to seriously injure all the companies and cripple Adams beyond recovery. Up to the present, United States Express has paid liquidating dividends of $54.50 a share, and the prospects of paying the other $45.50 are excellent.

Against the $4,550,000 still to be distributed to shareholders in order to retire the stock at par, the company has sold its building at 2 Rector Street, with two pieces of protecting land, for $3,500,000 cash to the Broadway-John Street Corporation, acting as agent. In addition, the same buyers have taken a piece of property directly across Rector street for $225,000, or a total of $3,725,000.

It is not likely that all this sum will be declared immediately payable as a liquidating dividend, because there are pending against the company suits of former carriers of the company's express to enforce the terms of contracts in dispute. At the worst, these suits might result in judgments of $600,000 to $700,000, so that, of the sale price of the two buildings, more than $3,000,000 will be net for distribution.

In addition, the company has two pieces of real estate in Chicago situated near to railway passenger stations and worth at least $600,000. Its other principal asset is a claim for approximately $1,000,000 against Baltimore & Ohio, of which claim $200,000 represents cash advanced on contracts.

Assuming that the company wins its litigation with the carriers and obtains from Baltimore & Ohio only the cash represented in its claim, the result would show $45.25 a share on the stock. The loss of the suits would result in bringing down the possible dividends to about $39 a share.

Although there may be some delay in final liquidation, I believe that there will ultimately be a certain profit in United States Express stock purchased around present price of 31, with the prospect that at least $25 of the purchase price will be returned as a liquidating dividend very shortly.

American Railway Express

Neither Wells Fargo nor Adams is likely to re-engage in the express business, but it is not at all unlikely—provided rates are established sufficient to permit the present operating company to exist—that American Express will acquire the holdings of the other two old companies in American Railway Express. Enabling legislation would have to be passed to permit this, for American Railway Express, once returned to private operation, would be an illegal monopoly under existing law.

Whether American Railway Express would long continue as a monopoly is very doubtful, for it is unlikely that Pennsylvania, for instance, would care to have operating over its lines the same company under contract to the New York Central Lines. In fact, rumor has credited Pennsylvania, New Haven, Atchison and possibly other roads with the purpose of organizing an express company to run in competition with the present monopoly, and reports have even gone so far as to bestow the name of the Keystone Express Company on the new venture. Whether these reports may be credited in every detail is doubtful, but that American Railway Express will have competition seems more than likely.

The future of the present operating company is of interest to the investing public only as far as its outcome effects the liquidation of Wells Fargo and Adams and the operations of American. In the case of the two liquidating companies, the outcome of American Railway Express will have very important results in determining the amount of the final payments to shareholders.

Three Leading Tobaccos

Slow Growth of General Cigar—Why American Sumatra Showed a Deficit for 1919—Outlook for American Tobacco Securities

By JAMES GARRISON

THE American tobacco industry is now in the peculiar situation of facing a declining raw material market while the demand for the finished product remains at fair levels. Consequently inventories are declining in value, but prosperity continues to run high. At the same time labor costs are still going up, and in consequence the movement for the substitution of machinery for hand labor in operations where it has hitherto been considered impracticable, is making headway.

The falling exchange markets, it is conceded by the trade, have practically removed the export trade from the list of customers. In England, for instance, cigar dealers have been compelled by the growing costs of importation to put prices on their goods which have cut a good deal of their trade, and their buying has been more and more restricted, till now it is about zero. This lessening of buying competition has put the market into the hands of the buyer rather than of the seller, especially in view of the exceptionally fine crop, both as to quality and quantity, of 1919.

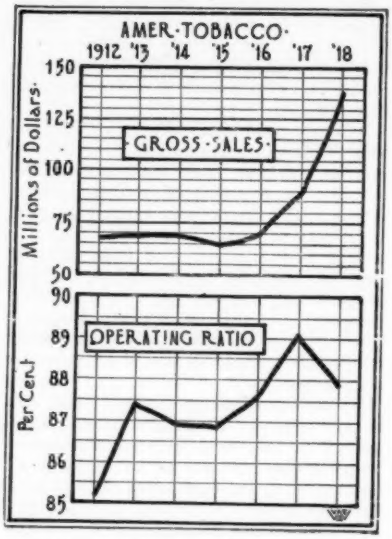
It is also to be noticed that most of the expansion in the tobacco industry of the last two or three years has been in the consumption of cigarettes. Relatively, the cigar has fallen off in popularity, while smoking and chewing tobacco have not done more than to hold their own.

General Cigar's Outlook

These broad considerations make one look more or less critically at the outlook for General Cigar, which had a typical industrial-stock boom last year, and has not entirely lost favor with many. Up to last year, its earnings had not been especially impressive, and its growth was decidedly slow. Its 1919 earnings, however, were almost double its average for the ten years previous, and on the strength of this good showing at various times during the year a new issue of $4,620,000 debenture preferred stock was floated, the dividend on the common increased, and the price of the stock raised from 53 to a high of 95.

The company manufactures and distributes cigars without growing the tobacco for them, turning out about 485,000,000 a year, its product being exclusively domestic. With the recent acquisition of the Grill Bros. property and the Quality Cigar Co.'s plant, the capacity has been raised to some 600,000,000 cigars annually, and production at the present time is on a 100 per cent basis, to make up for some interference with output during the strike of last summer.

A conservative dividend policy, it will be noticed from the graph herewith, has permitted the accumulation of a fair surplus, almost a fourth of which was contributed by last year's record earnings. It is apparent, however, that this prosperity is dependent on the unusual trade conditions of last year, and it is more than questionable whether these conditions and



the high earnings that go with them will be permanent.

The surplus at the end of 1919 amounted to $33 per share, with a working capital of about $71 a share. This indicates an unusually strong cash position for General Cigar, but the drawback is that about three-fourths of the current assets are composed of inventory stocks, which are carried at the highest figure in the company's history. In the event of any more pronounced decline in values, these high inventories would present a serious difficulty. While bills and accounts receivable have increased from $2,951,412 in 1918 to $3,700,554 in Dec. 31, 1919, the company's bills and accounts payable have gone down from $5,431,334 to $2,122,526 in the same time.

Intangible assets such as good-will, trade marks and patent rights are carried at $19,326,003, or about $107 a share, but in view of the great importance of advertising and of names in the cigar industry, this figure may not be excessive. Of late the company has been including its investments in affiliated companies to its property account, making an additional $2,446,955.

Last year the company issued a new debenture preferred stock, with elaborate provisions to safeguard it and make it more attractive. It is preferred over the common, though junior to the $5,000,000 of old preferred, as to dividends and assets, paying 7 per cent dividends and is cumulative. It is protected by a sinking fund and is convertible into the common at par. Without the consent of three-fourths of the stock no mortgage can be put on the property, nor can either issue of preferred stock be increased, nor can the business be sold. This puts an extra charge of $323,456 annually ahead of dividends on the common, or about $2 a share, which means that at the present dividend rate on the common of $6 at least $8 will have to be earned on the common each year to avoid a dividend cut, or more than the company earned in any year between 1919 and 1909.

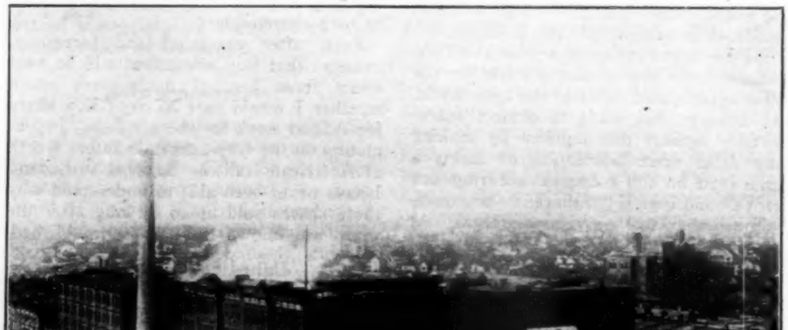


Photo by Underwood & Underwood.

PLANT OF THE AMERICAN TOBACCO COMPANY

Since the dissolution of the old American Tobacco Company in 1911 the company has forged ahead and built up an increased volume of business

At current prices of 98½ the preferred yields slightly over 7 per cent, and in view of the fact that its requirements have been met regularly between 3 and 5 times, may be regarded as a fairly stable investment, though others of quality just as good can be found to yield as much as a point higher. The common stock, selling at 66½ and paying 6 per cent, does not seem to warrant any great optimism.

American Sumatra's Expansion

American Sumatra is a different kind of proposition in a good many ways. In the first place, its earnings have fluctuated more widely than those of General Cigar but have averaged higher, though most of the increase has come during the last three years. It is a tobacco-planting company, rather than a manufacturing enterprise, hence the instability of earnings. Besides, as it has no machinery or large buildings, it has little to lose from depreciation, and expenses in this connection are usually taken out of operating costs.

The company owns and operates a total of 38,148 acres of tobacco plantations in Georgia, Florida, Massachusetts and Connecticut, in the latter of which states it acquired 3,000 acres by taking over the Griffin Co. last year. In connection with last year's operations it did a good deal of interesting financing, which is worth while examining.

In the first place the company put out $1,000,000 of common stock to get its Connecticut property. To carry its large inventories of last year, unusually heavy because of the cigarmakers' strike which cut down the sales of cigar tobacco, $6,000,000 of debenture notes were issued, practically all of which were converted into common stock later in the year, almost doubling the outstanding common stock. This was in addition to the $1,022,085 issued as a 15 per cent. stock dividend in December, 1918. During all this time a dividend rate of 10 per cent. has been maintained, or slightly above the average earnings of 9.71 per cent. for the six years 1914-1919.

As the common stock has paid dividends only since 1916, and the preferred from 1915, while the corporation started business in 1910, enough of a surplus had been accumulated to make such action fairly safe as long as the company was enjoying prosperity. According to the balance sheet of July 31, 1919, this surplus amounted to about $7.50 a share on the common, but this has undoubtedly been increased by the selling out of the large inventories held in mid-summer and of the large crops gathered since then.

The difficulty that menaces the company is of a peculiar kind. It consists in the possible competition from the large stocks of Sumatra tobacco held in Dutch hands which have been accumulating for years. Practically three years' crops are understood to be in storage, and hanging over the tobacco market, in addition to a particularly large 1919 domestic crop. Because of the small inventories which the company habitually keeps on hand, it may not suffer much directly in case of a sudden drop in price, but its business would be hurt in the event of a dumping campaign.

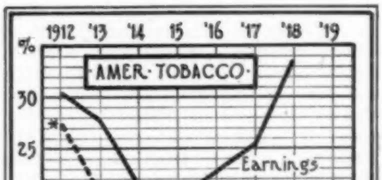
The company's way of doing business has always been to keep inventories outstanding down, while accounts and bills receivable go up. In every year since 1915 the receivables have exceeded inventories,

Photo by Underwood & Underwood.

STORAGE ROOM OF GENERAL CIGAR COMPANY

Thousands of pounds of expensive Havana tobacco are stocked by the company, which turns out about 485,000,000 cigars a year

a condition which keeps the company's assets liquid and prevents the necessity of borrowing. Last year the company had



to issue notes, however, and by issuing convertible debentures supplied its needs for new capital at the same time, though possibly not in the most economical way.

The company's earnings for last year, in dollars per share of common, looked much worse than they really were. To begin with, the amount of stock outstanding almost doubled, increasing from $6,813,900 in 1918 to $13,532,885 the year after. A reserve for depreciation of frame buildings and the like was set up in 1919, amounting to $260,000, an item which had never appeared previously. In the same year the company bought the building on Water Street, New York, which it had previously leased.

As the company now stands, there are outstanding in addition to the common stock $1,963,600 of a 7 per cent. cumulative preferred stock, of $100 par value, which is ranked as a sound investment stock. At a late price of 80 it yields 8.75 per cent. The company also had outstanding in January some $181,300 of its 10 year sinking fund convertible debenture 7s, most of which had already been converted into stock. These bonds have been called for redemption in April, leaving the company without any funded debt.

The common is fairly active marketwise, and at the latest quotation of 85 yields about 11.66 per cent. It is questionable, however, whether the present 10 per cent. rate on the common could be maintained in the face of strenuous competition. The high yield on the preferred indicates some doubt as to the stability of the company's earnings in time of stress, but we believe the common may safely be bought on sharp declines.

American Tobacco Securities

This company is to date merely a holding company, whose assets consist principally of its holdings of 247,492 shares of common stock of the American Tobacco Co., for which four shares of American Tobacco Securities stock have been issued for each share of $100 par value of American Tobacco. When incorporated in October of last year it also had $100,000 raised by the sale of stock.

As has often been pointed out, Tobacco Securities' holding of American Tobacco, while more than half of the outstanding common stock, are not sufficient to give it control of the company, and would not be if it owned all the outstanding common stock, as the preferred stock of American Tobacco has equal voting powers with the common and there are outstanding $52,699,700 of it to $40,242,400 of the common. Tobacco Securities' income is derived from dividends on American Tobacco common, which run regularly at 20 per cent. annually, which leaves a fair margin over earnings in most years. Hence the present dividend rate of $5 annually on the shares of American Tobacco Securities depends for its stability on the earnings and general financial status of American Tobacco.

Since the dissolution of the old American Tobacco Co. by judicial decree in 1911, the company has shown its ability to go ahead and build up an increasing volume of business, keeping its operating ratio down and maintaining exceptionally good earnings, ranging from 20 to 33 per cent. on the common since the dissolution, compared to the 50's, 60's and 80's earned on the common in the years of its prosperous if not judicially approvable activities.

As at present constituted, American Tobacco's business is the manufacture of cigarettes, little cigars and smoking, plug and fine cut tobacco. It is therefore closer to a manufacturing enterprise like General Cigar than to a tobacco-growing concern like American Sumatra. In spite of its liberal dividend payments, it has accumulated, according to the 1918 balance-sheet, a surplus of slightly under $112 a share, while its working capital figured out at $218 a share, which is a remarkable amount, even if about three-fourths of its current assets are in the form of inventories.

At latest reports, both cash and receivables were in the strongest position since 1913, while accounts and bills payable show a great decline from 1917. The intangible items of good-will, brands, etc., carried on the books at $54,099,430 may have been excessive at one time, but considering that they have been stationary at this figure since 1913, and that in that time considerable amounts of money have been sunk in advertising campaigns and other business-building devices which have proved their value by increasing the company's business from $69,516,932 in 1913 to $144,470,069 in 1918, they probably represent actual if immaterial values now.

In addition to the preferred stock mentioned above, which pays 6 per cent. and is cumulative, the company has outstanding $25,000,000 of 7 per cent. serial notes, with maturities ranging from 1920 to 1923; $12,072,720 of 6 per cent. dividend scrip, issued in lieu of dividends from March 1, 1918, to June 1, 1919, when the regular 5 per cent. quarterly cash dividends were resumed, the scrip being due March 1, 1921, and convertible at the option of the holder into non-voting B shares of common stock, which will probably be done in most cases, and a total of $2,026,500 of debenture 6s and 4s.

It need scarcely be said that the bonds and notes are secured by an exceptionally strong earning power and large outstanding junior issues. The preferred stock is selling at 95 at a late quotation, yielding some 6.40 per cent., which indicates its standing as a high-grade investment. The common stock of American Tobacco is not very active, but at a late price of 225 yields 8.89 per cent. on a $20 annual dividend basis, which there is every reason to think can be maintained under ordinary conditions.

American Tobacco Securities at about 60 is selling relatively higher than American Tobacco, but is understood to be considering plans for expansion and further absorption of securities, which are only partially discounted in the difference between its price and that of the older company. The lower price of these shares and their more active market gives an opportunity for more action marketwise and helps to make them attractive.

The further development of the company should warrant higher prices eventually.—Am. Tob., Vol. 25, p. 253; Am. Sum. Tob., Vol. 25, p. 424.

American Chicle—A Capitalized Habit

Retail Prices of Its Product Are Fixed By Custom—New Plant Being Erected

An Englishman, coming to this country to reside a few years ago, sat on a quid of gum in the subway soon after his arrival and carried the sticky substance home on his expensive tweeds. A few days later he carried home on his shoe another quid and trod it into the lustrous pile of a Shiraz rug. Then he noticed that nearly everyone was chewing gum.

"Who makes the blawsted stuff!" he inquired.

When he discovered that American Chicle was the guilty company, he decided that the manufacturer of a product used so universally as chewing gum must be in a highly prosperous state. In an effort to recover something on the ruined trousers and rug, he bought a few shares of Chicle common at 210. That was in 1914, a year in which the company paid $17.25 a share on its junior issue. Later he sold the stock below 50 and added the loss to the excessive depreciation that had run against his wardrobe and household goods.

This illustrates the danger of accepting surface indications as a basis of investment.

Profits Have Varied

Notwithstanding that American Chicle has an assured and growing gross revenue, the earnings, dividend and price records of its common stock show that its profits in the past have been subject to violent fluctuations. The dividend range was partly due to conditions over which the management had no control and partly to the practice of paying dividends out of accumulated surplus, when current earnings were insufficient, instead of writing off good will, equal to about $102 a share the common stock.

The position of American Chicle in one respect is very like that of the traction companies. While the price of its product is not fixed by law, it is so nearly fixed by convention that the difficulty of obtaining a "fair fare" for its product is practically insurmountable.

While the gum-chewing habit assures American Chicle of a gradually increasing gross revenue, the high price of sugar and chicle and the high cost of labor, together with special and ordinary taxes, cut seriously into net income. But the company, while not doing as well as gossip indicated six months ago, has been improving its position ever since 1915, its worst year, and 1919 earnings rank well with those of 1913 and 1914, in both of which the company reported more than $17 a share earned on the common.

In spite of a sugar shortage in 1918, the company, partly by increasing the wholesale price of its product and cutting down the retailer's profit, was able to show record sales stated in dollars. Shortly after the first of 1919, the company began obtaining a full supply of sugar, with the result that sales in the past year increased about 50 per cent over the preceding year. During 1919 production was at a maximum and for nine of the twelve months sales were limited only by the capacity of factories.

As business began to outgrow facilities, the company decided to erect a large, new plant at Long Island City, to obtain thereby not only a net increase of productive capacity but to take over the business of other plants where operations could not be conducted so economicaly as in the past. While the rising cost of commodities entering into chewing gum probably prompted this move, the eventual result will be a large saving in costs. Six per cent serial bonds for $2,500,000 were floated to provide funds for this purpose. This plant will be completed before summer of this year and it is expected that the new plant of Adams & Beemans, Ltd., the British subsidiary, will be finished a few months later.

Raw chicle was in better supply in 1919 than in 1918, but the price continued to increase materially. As for taxes, which are especially burdensome to this company, there appears no likelihood of any decrease for several years to come.

American Chicle in its balance sheet as of December 31, 1919, lists good will at $8,155,897 and surplus at $2,895,744. In defence of the good will item, it is contended that the company, in spite of its large expenditures for advertising in the last few years, has added nothing to its patent and trademark capital account. In 1918 the appropriation for advertising was considerably diminished from previous years, but the 1919 appropriation was the largest in the company's history.

This might have been sound finance in earlier years, but the wisdom of carrying so large an item for good will among the assets while manufacturing costs, on the company's own showing, were gradually overtaking list prices may well be questioned. With profits cut down to the normal manufacturing level obtaining in other lines, it may be doubted whether the good will would have even an intangible value.

The last balance sheet shows the $8,000,000 common stock, after elimination of good will from the assets, to have a book value of $34.25 a share, or about $40 a share less than the present market price. Net income in 1919 was at the rate of $17.77 a share on the junior issue, of which $4 was paid in dividends and $13.77 carried to surplus. Thus, it would require at the rate of 1919 earnings and dividends another three years to write off the difference between the present market price and the tangible book value.

AMERICAN CHICLE

	Earnings on Preferred	Earnings on Common	Dividend on Common
1913	$53.59	$17.84	$13.50
1914	52.76	17.53	17.25
1915	13.79	2.92	11.50
1916	18.91	4.84	1.50
1917	19.71	5.14	Nil
1918	42.12	13.54	Nil
1919	53.39	17.77	4.00

Past the Worst

On the other hand, it is nearly certain that American Chicle has passed the worst, for, with sale prices fairly well fixed and the prospect of material and manufacturing costs diminishing, the next three or four years should show up better than the similar period in the past.

Until a substantial part of the $2,500,000 notes is paid off, I doubt whether the company will materially increase its disbursement to the common stock. With this obligation and the equivalent of $102 a share listed among the assets as good will, I doubt very much the wisdom of increasing the dividend on the common.

With 40 per cent. of its assets listed as intangible, the stock will not prove attractive to those seeking sound investments. The junior issue, once having sold at 215, probably holds speculative opportunities, especially in view of the better earnings, but it is a stock that a buyer should follow carefully, lest the company repeat the folly of 1915, when it paid $11.50 a share on the common and reported earnings in that year on the same issue of $2.92 a share.

To Have and to Hold

Until we become a country of investors, until we establish schools showing how to invest and how to protect what has been earned by the sweat of the brow so that it will not land in the bank accounts of the thieves, we have not conserved our resources. Public schools train boys and girls in the methods of business—how to make money. Where is there a course on how to keep it?

Securities Not Recommended and Why

Suggestions from Members of Our Staff Upon Issues They Would Prefer to Avoid Under Present Conditions

TEXAS & PACIFIC RAILWAY—Notwithstanding that the stock of this road has broken from around 70 to under 40, I would not recommend it except for a turn. The holders of the $25,000,000 second mortgage income bonds are suing for about 108 per cent of unpaid interest. While there is a good deal of doubt whether the interest was actually earned in all the years claimed, there is little doubt that it was earned in some of the years when it was not paid. Opinion gathered from both parties to the suit will balance at around $10,000,000 as the amount of the back interest that Texas & Pacific really owes.

The company has a Federal charter, that will probably not be surrendered, limiting the amount of stock outstanding to $50,000,000. The reorganization plan that will be offered when the pending litigation is closed will probably provide preferred stock for the principal and back interest of the income bonds, or approximately $35,000,000. This would leave only $15,000,000 of available new stock to cover $38,763,800 now outstanding, a probable reduction of more than 50 per cent. If it were decided to offer new preferred for the principal of the income bonds and new common for the back interest, the effect on the present stock would be unchanged.

Missouri Pacific, which controls the situation, owns about 30 per cent of Texas & Pacific stock and about 95 per cent of the second mortgage income bonds, and this relationship between Missouri Pacific's two holdings seems to preclude the possibility that the stock will profit at the expense of the bonds in a reorganization.

Furthermore, the equities demand that the bonds be given preference over the stock in any plan. Texas & Pacific stock was run up by a powerful pool on the strength of its oil prospects. The road has about 900 acres in the Texas fields. Texas & Pacific Coal & Oil drilled for the railroad one dry hole, and was about to make a contract for two other wells, but finally declined. It has since been reported that wells will be drilled for the company in the Bull Bayou field. A flowing well would undoubtedly put up the stock but it would not extinguish the railroad's deferred maintenance.

It should be remembered that the average railroad is a large enterprise compared with the average oil company, and it takes a great deal of petroleum to restore the earning power of an unprofitable transportation system. Indeed, the operating results of Texas & Pacific during Federal control more than its oil prospects might serve as a reason for buying the stock, were the company not confronted with the necessity of a drastic reorganization.

All that has been said should not be construed as an assertion that the stock may not advance as a result of speculative operations, but the stock cannot be rated as even a speculative investment around present levels.—R.

Carson-Hill Gold Mining Co.—This company appears to have actual values of gold on its property, but they are scattered and range from $7 a ton to $133 a ton, in small orebodies which are uneconomical to work. The company is said to be "keeping down" earnings to $73,000 a month, or about $4 a share on the 200,000 shares of common stock outstanding, but in view of the fact that production had been under way since last summer, as distinguished from the development work, one would more naturally expect earnings to be more unrestrained.

The fact that the company found it necessary to transform its liquid debt of $450,000 to the American Zinc Co. into a fixed four-year note issue, which was disposed of to a private syndicate, indicates that at least one big mining company felt safer with its debt in someone else's hands than in its own. It is strange, too, that this should have occurred after the widely-advertised prosperity of the firm had enabled it to cut down the debt from $600,000 to $450,000. It has been found necessary to make this note issue as attractive as possible to the private syndicate that took it up, by providing first that the notes should be convertible into the common stock at 25, second that they should be callable at 110, both privileges to take effect in a year. The stock, which has no par value, is now hovering at about the price of conversion, after suffering a decline of some nine points within the last month.

To a student of market conditions it is significant that the volume of sales should have increased largely as the price went down. Is it possible that people with large blocks of the stock, who have been watching the price go up with complacency on small volume of sales, have suddenly lost confidence in the proposition?—G.

General Oil Company.—We received a sixteen-page folder on General Oil Company, with trimmings attached. Let's say at once that this company is not a relative of the old General Petroleum Corporation of California, which is a conservative $50,000,000 concern at the top of the list of the big producers.

The General Oil Company's literature would be amusing and interesting if it did not induce a lot of small people to believe that they are investing when they buy General Oil Company stock, when, as a matter of fact, they are gambling.

The 16-page pamphlet is firstly a eulogy of the president. It talks about a 10,000 barrel gusher, Sam Sparks No. 1, on an 80-acre lease at Burkburnett, tapping the largest pool in that field. Our expert knows the field to his finger-tips but 'fesses up that he has never heard of Sam Sparks. General Oil might elucidate. It also owns leases east of Wichita Falls, West Columbia, and "vast holdings" near Big Spring, West Texas. Our expert reports that these are in the wildest of wild-cat areas, and no discernible apparent values exist at the time of writing.

The pamphlet winds up with a prayer. We are not thin-skinned but we are not blasphemous, and do not repeat the Lord's name in vain, as this pamphlet freely does. Regarding this new angle in oil promotion literature, a subscriber says:

> "This religious guff is a symposium by an oil promoter, who, abusing the form of prayer and literary appeal to get religious suckers and sentimental bluestockings, has framed up the most lurid and blasphemous piece of hypocrisy that ever found its way into convoluted finance. Young and unsophisticated investors should not be deceived by this new twist in selling cheap oil stocks, nor regard this form of appeal as real honest-to-goodness opportunity."

About half the entire capitalization of $1,000,000 represents advertising which is carried as an asset: over $80,000 expended on stock-selling is also carried as a live asset. The cash on hand is under $50,000, while leases are valued at the modest figure of $16,000,000. We believe if stockholders could get half that amount they would do handsomely.

General Oil looks like a good thing: a very good thing to leave alone.—D.

Motex Refining Company.—One of our subscribers has sent us a circular, which differs from most others in its class only by reason of the boldness of its sponsors in making extravagant predictions for the Motex Refining Company. If only one-third of the claims advanced make good, then holders of Texas Company, Mexican Petroleum and Standard Oil of New Jersey are wasting time and money in not making a switch to this latest bonanza.

But we do not recommend a switch, although its sponsors think it better to invest in Motex, paying dividends monthly "not like U. S. Steel or U. S. Liberties 4½ per cent yearly." We prefer U. S. Steel and Liberties, although the Motex people tell us that $600 will buy 200 Motex at $3, that should be worth $2,000 by April 15th. The writer has no illusions, and doesn't believe U. S. Steel or Government bonds will advance so sharply by the exact date named, but he knows the steel people and Uncle Sam will be at the same old stand on April 15th.

The author of the optimistic pamphlet on Motex says that he already has 3,000 per cent profit on his stock, but he would not consider that. Can it be possible that this successful investor is *also* on the sucker-list? Better cash in, Mr. Investor, and don't be greedy; 3,000 per cent is not to be sneezed at. Besides, why not give other poor fellows a chance to make the rest?

Generalities, predictions, guesses, estimates and optimism seems to be the basis of the very urgent invitation to our subscriber to get in on Motex Refining Company. We have—most emphatically—advised our subscriber to put his money into U. S. Liberties paying 4¼ per cent yearly. Although this latter is not the sure thing that the Motex promoter claims his oil company is, still the obligation of the richest nation on earth, and the solemn word of one hundred million people to pay on maturity, is a good enough risk for our money. So, we're still strong for Liberties.—D.

"Oil Leases."—A Kansas City brokerage firm is distributing a circular letter in which the reader is asked "Would you be interested in a speculation by which $100 might yield you $5,000 or even $20,000 or more?" Without giving specific details the letter states that a ten-year lease of a ten-acre tract of oil land may be obtained for $100. The area is located in an oil field "in which drilling operations by large interests have recently begun" and a long list is presented of legitimate companies who are "drilling all around us in this field."

Promoters sometimes, as in the present instance, offer an actual sale or lease of a fractional unit of their land holdings, apparently on the theory that the investor will believe he is getting something tangible for his money. But such a purchase, unless protected by complete legal arrangements, would be of no more value than a purchase of stock, and would certainly be less saleable.

Against the oft-repeated argument that many oil companies have made fabulous profits on the original investment, stands the cold fact that, on actual investigation of a great number of average promotions, only one out of 800 has been found by us to be a consistent success. The fact that established companies operate in the vicinity of the prospect company is small insurance of success, as the big companies, with their high-priced experts, usually get the pick of the producing areas.

The few effective State Blue-Sky laws do little to counteract the ever-popular game of swindling and since it is so damaging to the reputation of the legitimate financial markets, a Federal Blue-Sky Law to supplement the inadequate standards of censorship exercised by the Post Office Department is, in my opinion, very desirable.

The recent sensational bear raids upon the whole group of oil stocks, which affected many legitimate issues with excellent prospects, will doubtless do much to curb the activities of fake oil promotors, which have probably cost unwary investors millions of dollars in the past year.

This should not obscure the fact that there are many excellent bargains among listed oil stocks, which now seem to be selling well below their intrinsic value in view of the now impending scarcity of oil and its advancing price.—E.

Southwest Texas Oil & Refining.—The only information I have about this company is derived from a circular addressed to residents of New York City. The circular is accompanied by a letter introducing the company's vice-president and general manager. The letter is written on the stationery of the City of San Antonio and bears the signature of the Chief of Police.

We are told once again the oft repeated story of how "many people have made big fortunes in Texas oil fields from only small investments." The company claims ownership of a great number of oil, gas and mineral leases situated 25 miles to the south and southwest of San Antonio, Texas. It says that a number of wells are being drilled in that district.

There is nothing in the circular which might lead the "investor" to even expect any return on the $10 shares of the company. The fact that the organization is determined to build a strong company with small investors that will be profitable to them, or that it is "not paying the stockholders' money for newspaper advertising or brokers' commissions" is not sufficient to enable us to form an opinion concerning the stock. We would like to know facts such as the number of oil-producing wells the company has, its capitalization, and some more detailed information about the directors and officers of the company. The statement that the officers believe they "are over a big oil pool" and that the company's shallow oil stratum "is a seepage from this pool and is being forced up by heavy gas pressure," is not convincing enough. Nor should the careless investor be lured by the statement that the stock is offered for sale in New York because "there are more people in one downtown block or perhaps in one or two buildings in New York than all the wage earners in San Antonio combined." As an investment the purchase of the stock is an utter impossibility, as a speculation it is too uncertain to attract any one, despite the company's belief that money put into it would go into a safe proposition and that $10 (the price of one share) has a chance of making for the investor "several hundred dollars within a few weeks." If I were to buy inexpensive oil shares I should invest in a "real" oil company, i.e., one that has wells, and actually produces oil.—W.

Caveat Emptor

No woman should attempt investment or become connected with any brokerage firm in a business way, until she has first investigated the standing of the firm in question. Furthermore, whenever an order has been placed for the purchase of securities the customer should arrange for the delivery of the actual certificates at once. If the firm makes excuses which are unreasonable on their very face, the matter should be placed in legal or post-office hands without delay.

Pride Goes Before a "Fall"

Educated men, even in the ministry and law, studying the theory of economics, will dig into the intricacies of bi-metallism and the study of the gold reserve, but will "fall" for the first attractive circular of a new oil venture without knowing much about it. Play safe and do not imagine that you are above this class of citizen. Unless you know the elementary psychology of the fake stock promoter, you are not insured against loss.

Todd Shipyards Corporation

Helped by Large War Orders—A Consolidation of Strong Companies

THE Todd Shipyards Corporation, a successful company since its organization, occupies a unique position among American concerns engaged in shipbuilding and repairing, in that the company combines practically all the industries affiliated with the shipbuilding trade. Besides ranking as the foremost ship-repairing and the second largest shipbuilding company in the United States, the Todd organization builds ship engines on a large scale as well as oil-burning furnaces.

Its record during the war was particularly praiseworthy, the company completing the conversion of German liners into Yankee transports, coal-burning war vessels into oil-burners, private yachts into submarine chasers, etc., in half the time estimated necessary by government officials.

Todd Shipyards was organized in June, 1916, as a consolidation of the Robins Dry Dock & Repair Co., Tietjen & Lang Dry Dock Co., Tebo Yacht Basin Co., Quintard Iron Works, White Fuel Oil Engineering Corp., Todd Dry Dock & Construction Co. and the Todd Dry Docks, Inc.

The Robins Dry Dock & Repair Co. is one of the largest companies of its kind in the United States. It occupies a site of 29 acres adjoining New York harbor and is fully equipped with the most improved facilities for handling disabled vessels.

The Tietjen & Lang Dry Dock Co., located in Hoboken, is probably the second largest company having property on New York harbor. During the war this company was intrusted by the government with the task of converting the huge German liner "Vaterland" into the U. S. transport "Leviathan."

The Quintard Iron Works, where a large number of the engines used in the ships of war were manufactured, is another important subsidiary of the Todd Shipyards Corporation. This company has been manufacturing marine engines since 1865 and is rated as one of the leaders in its field.

The White Fuel Oil Engineering Corp. manufactures an oil-burning furnace for use in ships, which apparatus has been installed in some of the largest vessels in the United States Navy. The use of oil for ship fuel is now recognized as both efficient and economical, and the constant demand for the patented oil-burner manufactured by the White Co. has resulted in its development into one of the most important links in the Todd Shipyards' organization.

Making Good in Peace Times

While the war was probably the chief reason for the company's good showing in recent years, its prosperity has by no means relaxed as a result of the cessation of hostilities. On the contrary it is said that orders now on hand are sufficient to keep the company operating at full capacity well into 1921. The company got a running start at the time of its organization in 1916, and is now enjoying the most prosperous period in its career.

Capitalization of the company consists of 95,090 shares of no par value. It has a funded debt amounting to $4,102,000, which includes the 1st 5 per cent. bonds of the Robins Dry Dock & Repair Co., the 1st 5 per cent. bonds of the Tietjen & Lang Dry Dock Co., and the Tebo Yacht Basin Co. real estate mortgages.

The earnings per share for 1919 as shown in the company's report do not correctly interpret the true values behind the stock, since the company seems to have adopted the policy of writing-off very large amounts under the caption "Reserves for Taxes, Obsolescence and Amortization." For the year 1918 this amount was put at $5,865,461, whereas in 1919 the same account was increased to $8,784,605. This item is instrumental in reducing the earnings per share greatly.

Figures regarding earnings for the year 1919-1920 are not available at this time, but it has been estimated unofficially that the company will earn in the neighborhood of $100 per share. Assuming that the company maintains its present policy of writing-off huge sum to taxes, etc., the probabilities are that the earnings are available for the stock in 1920 will be reduced to around $60 a share.

In the matter of dividends the company has been conservative, paying to its stockholders only seven per cent. without extras in 1918, although it earned six times that amount on the stock. In 1919 it maintained this rate in the face of reduced earnings.

In the last two years the company has "plowed back" into working capital an aggregate sum of $41 per share. Should it continue returning such large sums to working capital it is likely that, in a few years, Todd Shipyards will be in a position to do some sizeable "melon cutting."

The stock of the Todd Shipyards Corporation is listed on the New York Curb, having a rather inactive market. It sold originally at 76 and has since risen to 220. At this writing the stock is selling in the neighborhood of 160 at which price the company's possibilities do not seem to have been wholly discounted.

COMPARATIVE EARNINGS STATEMENT.

	Net Earnings. Applicable to dividends.	Earned per share.	Dividends.
1918	$3,943,236	$44.00	$7
1919	1,134,581	11.93	7

BALANCE SHEET, TODD SHIPYARDS CORP., AS OF MARCH 31

Assets	1918	1919	Liabilit'es	1918	1919
Property	$13,268,768	$8,943,359*	Stated Capital and Equity	$9,016,002	$10,192,224
Cash	1,404,150	1,555,071	Preferred St. of Subsid.	500,000	....
Accts. Rec.	7,462,863	9,845,835	Funded Debt......	8,720,000	4,888,000
Work in progress	6,004,168	4,767,460	Notes Payable....	600,000	....
Material & Supp.	2,468,106	1,147,014	Accts. Payable and Advances	6,665,301	3,395,251
Liberty Bonds....	1,617,565	1,843,942	Reserves for Federal Taxes	6,950.846	9,803,490
Marketable Secur.	57,494	....			
Cash against Contracts	....	50,000			
Deferred Charges	119,035	176,284			
Total	$32,452,149	$28,278,965	Total	$32,452,149	$28,278,965

*After reduction of reserves for depreciation, amortization, etc.

HOLLAND

Jan Kalff & Company of Amsterdam, The Hague, under date of February 3, 1920, write: Business on the Stock Exchanges reflects strongly the uncertain and demoralized situation under which we live at present. Not only the labor unrest throughout the world, which has become a contagious disease but also the continuous decline of all foreign exchanges, especially German and Austrian, to their present low figures, have caused an unsettled tendency on our stock market.

Although there is no particular pressure to sell, the situation has caused buyers to hesitate, with the result that prices are constantly moving downward.

The low and unsettled exchanges are, of course, a handicap to our foreign trade. Before the war, vegetables were exported mainly to Germany, but the value of the mark, now nearly worthless, prevents both parties from doing profitable business. In this case we are in a similar position with your country; both the American dollar and the Dutch guilder, standing far above their parity, are asking too much and giving too little. German markets are practically closed to both countries.

In addition, our warehouses are crowded up to their roofs with all kinds of materials. Colonial products, especially tobacco, and also large quantities of manufactured articles are being held in stock by merchants and retail dealers. Although most of our banking instititions have granted only small loans on products, we may venture to say that in the near future, owners of staple products should be compelled to sell out at current prices.

Building Your Future Income

One Kind of Independence That the Income-Builder Should Attain Immediately—How to Use Information About Investments

IT will, of course, take you years to attain financial independence—assuming, that is, that you are now dependent on a salary or a moderate income. In this field more than in any other, haste makes waste.

But there is one kind of independence that you should endeavor to attain very early, and that is independence in arriving at your own conclusions.

Nothing is more evident in going through the tremendous mass of correspondence in regard to investments received by this publication, than the desire of the average investor to lean on somebody.

The whole world, apparently, wants to be told how to make money, not how to learn to make money.

* * *

THIS is not said in disparagement of any legitimate source of investment information. The investor must take most of his information at secondhand, and he is fully warranted in seeking that information from all reliable sources.

This is, in fact, just what he must do. He must have all his facts in hand before arriving at a decision. He should get the views of those competent to judge, and he should examine to see what those views are founded on and should see whether the reasons appeal to his own judgment. If they do not appeal to him, he should investigate further to see whether he is wrong or whether his adviser is wrong.

But the important point is that, after getting all this information and the views of those qualified to judge, he should not buy any security which does not appeal to his own final judgment.

* * *

NO one is always right. This is just as true of the man who controls millions as of the man who invests hundreds.

The popular idea that certain "insiders" control the markets and know exactly what prices will do, is all moonshine. There may be certain exceptional instances where this is true for a limited time, but those cases are so few that they are not worth figuring on—especially as those are exactly the cases when the information will not be obtainable by the ordinary investor. Moreover, even when the "insiders" think they are absolutely secure, their schemes are often upset by unforeseen developments.

* * *

PROBABLY you are ready to admit that no one is always right—that the value of any security is always a matter of opinion on which hardly two men could be found who would exactly agree.

But do you act on that basis? Or do you say to yourself, "I don't know much about this. So-and-so thinks it is all right and doubtless his judgment is better than mine."

If so, you are on the wrong track. Get full information from all sources. Get the views of anybody whose views are formed on the basis of study and investment knowledge. But act on your own judgment.

* * *

EVERY man who has spent any considerable part of his life in Wall Street and has been in touch with the operations of the big bankers and investment houses, can easily call to mind numerous instances when they have been entirely wrong in their views as to the future of some security or as to the general financial outlook.

Of course, the cases when they have been right are very much more numerous. Even as to immediate movements of the market, it will be found that responsible brokers' advices are right more frequently than they are wrong, and when it comes to the soundness of an investment their average is, of course, much higher.

That being the case, it is clear that their views are worth having; and the same is true of the views of any careful student of investments or financial conditions. But you will never find, no matter how long you search, advices which can be absolutely relied upon. So begin early to form your own opinions—first as to the most conservative bonds and preferred stocks, and then as you gain in knowledge and experience, as to "business men's investments," which you believe will grow in value. And to avoid a heavy loss if you prove to be wrong, *distribute* your holdings, even though small, among a number of different companies.

A Start from Zero

Building from the Bottom—Importance of Conservatism in the Early Stages

My dear Mr. Wyckoff:

Sometimes a wee voice from the unknown will venture to reach the ear of a selfmade man of affairs and the "wee voice" may profit thereby.

Mr. Wyckoff, you are a busy man and I do not wish to misuse the moments you grant me. Merely allow me to say who I am, what I want and I am ready for your verdict.

I am 29 years of age, attended college nine years, was compelled by illness to change my vocation; have now, thank God, about recovered complete health through 17 months' service in the A. E. F.

On discharge I was employed as clerk at Baltimore with a compensation of $1,200 per annum and expect shortly to be advanced to $1,500.

Attending an accountancy school plus the doctor's bills incurred and the present cost of living, I still find myself able to save about $10 per month.

Now, would you, a busy man, be so kind as to advise me if a young fellow in my position couldn't, by some definite sound investment of such a meagre monthly sum, get a start to enable him to soon "square up" with the world and gradually, by faithfulness in present little duties, lay a foundation to a real future. I have the energy and the ambition but lack the means and experience. What advice will you tender me that you would enjoy were the case vice versa?—F. A. W.

A Start from Zero—Is it possible to make good with health and good intentions the principal assets? Imitate the crab, and take an inventory.

George Horace Lorimer of the "Saturday Evening Post" wrote a book called "Letters from a Self-made Merchant to his Son" that you can buy for about a dollar. You'll probably get it for less if you go bargain-hunting in the second-hand book stores. Judging by your position, we assume you are not averse to bargains.

That book is full of sage advice, and we suggest it as your first investment. In it, old Gordon Graham the self-made merchant, tells his son the story of the crab: how that crustacean makes a new start by throwing off the old shell and starting anew with a bran new skin. Like yourself, it gets some bruises but also gets used to it. Its experience teaches it never to expose the same sore spot to the same adverse influences, and that's how it gets on In time it gets used to it and grows a new hard shell that can stand the knocks.

There are lots of other good things the old man tells the son that we wish you would study and take to heart. That's the first stage of our advice.

Did you ever read the story of Bill Wrigley the chewing-gum manufacturer in the current issue of the "American" magazine? Here was a man who laughed at failure, who was successively burnt out, frozen out, and exploded out of his original enterprises: who went bankrupt three times, and lost every original accumulation of fortune in his first endeavors to put Wrigley's Chewing Gum fast on our fickle globe. But—he did it. The lesson of his career is the Salvation Army slogan: "A man may be down, but he's never out!"

Your situation is undoubtedly common to that of thousands of young men in this country, eager to get on, ambitious to learn, fearless in their desire to be correctly advised, and yet timid of their ability to make good.

You will certainly make good because you realize your limitations, but we do not think you go far enough. You are probably hoping that we can make a suggestion as to your $10 a month that will have a magic virtue like Aladdin's lamp, and ultimately put you on Easy Street. Mr. Wyckoff is proud to have you consult him and glad to help you, and has directed us to give you the best that is in us to put you on the right road. But, there is unfortunately, no royal road to the real future you seek.

Take an inventory of yourself. You have youth, restored health, your A. E. F. experience, a steady job with prospects, a college education, knowledge of accountancy, and good common sense, judging by your letter.

If your health—your principal asset—is still your weak spot, first strengthen it on competent medical advice and rational living. You should be able to overcome all handicaps in five years, and you will then be thirty-four years young—time enough even then to plan your future investments.

There is nothing your $10 a month will buy in the way of investments that will give you so much satisfaction and immunity from worry as Liberty Bonds. We know the yield is small compared with most other investments, but there is nothing quite so safe: and you dare not take a chance, nor risk discouragement by buying other securities until you have accumulated something substantial. By that time, or sooner if your salary is raised, you can commence to take an interest in $100 listed bonds such as American Telephone convertible 6s, N. Y. Central Debenture 6s, American Smelting 5s, Central Leather 5s and others of equal rating. Good as the latter undoubtedly are, we would not suggest your commencing to invest in listed active securities, until you have investigated their merits for yourself.

You know all about Liberty Bonds and that is the only basis upon which you can plan your future, until you get experience in the world of investments.

Since from your letter you are obviously interested in investments, why not make a study of this field in conjunction with your college and accountancy experience? There are many books on the subject, simple and inexpensive, that would give you a background of knowledge that you would find useful when the time comes to make more substantial commitments. We would advise you to absorb as much of this knowledge as possible upon the principle that preparedness will win the day.

Look over our advertising section for the names of these books. The writer finds advertisements just as informative as text-matter, and learns a good deal from these very human pages that tell much in very little, but valuable space.

First Steps in Buying a Home

By **JOSEPH P. DAY**

ONE of the important steps in the life of a young man and a great help in giving him a standing in his community is the purchase of a home. The young man who acquires a home of his own is marked as a man who is willing to assume obligations, who expects to remain a member of the community and intends to use his income wisely. Buying a home and gradually paying for it necessititates a careful consideration of his income, the amount which he may spend for his living, regular methods of setting apart a certain portion of the income to be applied to the payment of his property. This gives a man a feeling of responsilibility, makes him carefully scan his income and his expenses and teaches him how to use money to good advantage.

It should also give him good standing with his employers, as it also tends to keep him steadily at his job, and having assumed certain responsibilties he would probably be more attentive to his work, and would study to fit himself for advancement. It would spur on his ambition to make himself so useful that his worth will be recognized and preference given to him when opportunities for advancement occur.

In considering the purchasing of a home, care should be given to the selection of the neighborhood, to see that the surrounding are of the proper sort, and study made of the trend of development in the neighborhood. A purchaser should look first to see that the house and neighborhood are suitable, he should then look very carefully into the price to be paid and figure the expense involved in maintaining his home, as taxes, water rates, insurance, repairs, heating and lighting mount up to a very considerable sum annually. Then he must consider, in addition to paying these fixed charges, that he must provide for paying off mortgages.

In making this purchase having been satisfied with the house, its locality and the price, he must consider the terms on which he is to arrange payments. Few young men have the necessary amount of money to pay for a house and make the entire payment in cash.

There are many ways to arrange for payment. Probably the most common manner in which houses are purchased is to make a deal with a builder who has completed the house and who has already borrowed a first mortgage on the property. The builder makes a sale subject to the first mortgage, takes some cash and a second mortgage for equity.

As an example, a young man purchases a house for $6,000. There is already a first mortgage of $3,500 at 6%. The young man has $1,000 in cash available with which to purchase the house and perhaps in addition some cash with which to pay the cost of having the title searched, deeds recorded and other expenses which would amount in the aggregate to about $100. He pays $1,000 on the purchase price and gives his bond and mortgage for $1,500, which is a second mortgage on the property. The second mortgages are generally made payable in installments of say $250 every 6 months. His expenses in maintaining the house are now something as follows:

Interest on first mortgage $3,500 @ 6%	$210.00
Interest on second mortageg mortgage $1,500 @ 6%	90.00
Taxes	100.00
Water	10.00
Insurance	20.00
Heating	100.00
Lighting	60.00
Allow for repairs	100.00
Total	$690.00

This amounts to $60.00 per month, which would be what an ordinary flat in New York would cost. In addition to the above he has to provide for $250.00 payment of the second mortgage every 6 months which amounts to $500 per year.

This amounts to about $42.00 per month and the sum of these two calculations, amounting to $102.00 a month is what the young man figures upon in order to own his home and eventually pay for it on an income of $2,500 a year. This can be arranged and perhaps payments made even more quickly.

Another method for purchasing homes is furnished by the Building and Loan Association. A young man joins the Building and Loan Association, takes out a sufficient number of shares to enable him to finance. In the case of a purchase for $6,000, he could probably borrow from the Building and Loan Association $5,000 which would necessitate his taking out 50 shares of Building and Loan Association, and he would have to pay $60.00 per month to the association.

These shares mature in about 11 years and in that time he would own his property free and clear. Through this plan he knows just how much he can figure on each month and that there is no danger of having his mortgage called before maturity, which is a certain element of security. Of course there are variations to the plans, but in a general way a purchaser of property would follow along either of these lines.

Having once made a purchase and assumed these obligations a young man has the feeling of responsibility which makes him consider seriously his course in business. We all know that a man who has responsibility is apt to think carefully before entering upon any business venture and his actions are not likely to be governed by impulse. He stops to think of the result of his actions and weighs the effect of what he contemplates doing before taking action and this becomes a habit with him and makes him a much more reliable employee or if he is in business for himself tends to make him more careful in all his business transactions.

Many young men have bought homes without giving careful thought to all that it entails and have found that their calculations on income and expense have not been carefully made and discover that they are unable to carry out their contract. But if one will give careful consideration to relation between his income and the expense which he assumes on becoming a house owner and will only purchase such a house as he is able to maintain and finally pay for, he will find that it is one of the best investments he ever made. The satisfaction of owning a home, and the developing of steadiness of purpose in saving to pay for it are well worth the endeavor.

Points Income-Builders Should Know

The Would-Be Dividend Payer

Beware of the would-be dividend payer! Watch closely the recently organized company, be it an oil, mining or industrial company which pays dividends to its stockholders in spite of the fact that its earnings neither warrant this procedure nor can stand the strain. It is a pit-fall for the unwary.

The writer can name a dozen companies, most of which are oils, which have consistently paid dividends for the last six months, whose earnings for the same period barely cover the amount paid out to its stockholders. When a company pays dividends which it does not earn, it is not acting fairly with its stockholders, since the necessary cash must come out of its working capital, and sooner or later this drain on its treasury will bring the company to grief. Each dollar paid out in dividends not earned, is a dollar less for use in developing the properties of the company.

The practice of paying unearned dividends is nothing more or less than a device to catch those novices who believe that a dividend-paying company is a successful operating company. It is a play for publicity. It is perfectly clear that a company only recently organized cannot ordinarily and with safety, pay out cash which it needs in its work of development. Therefore watch your step! Inspect closely the record of earnings of the companies you intend to invest in, and if they pay dividends see whether they are *earning* their dividend payments.

Common Stock

The common stock of a corporation is that part of its capitalization upon which no dividends can be paid until all requirements of the funded debt, if any, have been satisfied and until dividends have been paid on the preferred stock. It is commonly supposed to represent the speculative element of the corporation's capitalization, but this is not always true, since it very often happens that earnings on the common stock of a corporation will exceed the earnings on the preferred. In the case of the corporation having an exceedingly good year, or some deal is put through which is advantageous to the company, the resulting prosperity is likely to be reflected in the common stock. In some companies, after a certain amount has been paid on the common, the amount left over is divided equally between the common and the preferred stocks. This would show that the common stock is not necessarily entitled to all earnings after payment on the preferred.

Common stocks usually are invested with voting power, although there are numerous exceptions to this. The common stock is placed in a more advantageous position if the preferred stock before it is not cumulative, since the earnings of the corporation must be large to insure dividends on both classes of stock. In the case of the preferred stock being cumulative, should the company be unable to meet the dividend payments on the preferred, these payments accrue from time to time and act as a detriment to dividends on the common.

Irrigation Bonds

Artificial irrigation is necessary in some parts of the West, in order to insure the fertility of the ground. In order to facilitate the irrigating of these sections, the states in which they are located have been authorized by the government to divide them into what is known as "irrigation districts." The state is then authorized to issue bonds in order to secure money with which to irrigate them and to keep them in a productive condition. The bonds are usually a lien on the collected taxes of the state; the interest and principal being payable out of the taxes. When contemplating the purchase of this class of bonds it is well to consider, first: Is the district so irrigated, made productive by the artificial supply of water? Second: Is the source of supply of the water, permanent? Third: Is the market for the product of the section, near; and are the transportation facilities sufficient?

Disinterested Advice

Every investor should know above all things that statistics and opinions are best when mixed by experts. The novice can miss the most important feature of a report. Net earnings may look fine, but really misrepresent. The Science of Finance is just as difficult as the Science of Law, and yet no one goes to court withou advice.

Farm Loan Bonds for Investors

By JAMES B. MORMAN
Assistant Secretary, Federal Farm Loan Board

THE purpose of the Federal farm loan system is to encourage "agricultural development." On November 30, 1919, the system had been in active existence practically two-and-a-half years. During that time twelve Federal land banks had loaned $282,007,781, and thirty Joint Stock land banks $54,126,358—a total of $336,134,139.

Whence came this enormous sum loaned to farmers for the development of agriculture? Almost wholly from the sale of farm bonds to investors. A presentation of the main features of this system and the merits of its bonds, therefore, ought to be of special importance to the investing public at the present time when the high cost of living is playing so large a part in the problems of national reconstruction.

The System and Its Bonds

The Federal farm loan system provides for two kinds of land banks. Both are authorized to issue bonds to investors, the security being either first mortgages on farm lands or United States government bonds. The latter, however, are only accepted as temporary collateral for an issue of bonds, this collateral having to be replaced by an equal or greater amount of first mortgages as soon as they are available.

The element of conservation dominates this lending system. Loans can only be made up to 50 per cent of the appraised value of the land for agricultural purposes plus 20 per cent of the appraised value of the permanent insured improvements.

The security, then, is the fixed capital of farms, which is the foundation not only of successful agriculture, but also of national credit and permanent prosperity. For the value of farm property is estimated at about $50,000,000,000 and the annual production of foods and raw materials of manufactures at $25,000,000,000. And all this wealth is consumed or utilized in maintaining the life of the people and of the transportation and manufacturing industries which are of such vital importance to the trade and commerce of the country.

Since every intelligent farmer maintains the fertility of his soil or improves it with organic fertilizers and every borrower under the Federal farm loan system is required to do so, the basic security of farm investments is one of the most staple securities in existence. If bonds based upon this security had no other advantages, this in itself would be a sufficient guaranty of a safe and sound investment. But the entire system is buttressed with conservative appraisals of farm lands, government supervision of loans and securities, and tax-exemption of bonds and the income therefrom; so that, taking all these factors together, farm loan bonds offer today one of the most attractive securities to investors who are seeking a sure rather than a high income from their investments. Under these conditions practically every element of speculation is removed from the system entirely.

The issue of farm loan bonds is unique. Federal land banks are authorized to issue bonds up to 20 times their capital and surplus. Of the original capital of $9,000,000, the Government subscribed $8,891,270, which is loaned without interest and draws no dividends. The capital of this class of land bank is increased by the subscriptions of national farm loan associations, the law requiring each association to subscribe for stock to the amount of 5 per cent of all loans made to its farmer members. This provides for issues of bonds without limit in proportion to the amount of loans made. Today the bonds of these banks bear 4½ per cent interest. Moreover, all Federal land banks are jointly responsible for the payment of the interest and principal of all their bonds. This feature of the farm loan system, therefore, is strictly cooperative in character and furnishes an additional advantage to investors in Federal farm loan bonds. On November 30, 1919, the twelve banks had been authorized to issue bonds to the amount of $286,100,000.

Joint Stock land banks are operated entirely by private capital and they can issue bonds up to 15 times their capital and surplus. These land banks are independent institutions and make loans to individual farmers. But the appraisal of farms, the plan of repaying loans by amortization, and the issue of bonds are all under strict government supervision the same as with Federal land banks; so that the security in both cases is the same, namely, the fixed capital of productive farms. But the bonds of joint stock land banks bear 5 per cent interest, and thirty of these banks had issued $56,135,000 of bonds on November 30, 1919.

Importance of Farm Land Security

The bonds of this system are copied after what is known as "Landschaft" bonds in Europe. Those are farm land bonds which have been on the market for more than 150 years, frequently selling as high as government bonds. In times of war or financial depression they have even sold higher. This, too, has been the case in our own country during the late war period when both classes of bonds sold at a premium ranging from 1/2 to 2 or 3 per cent.

Why is it that farm loan bonds have appealed so strongly to investors? The answer is because they are issued in denominations to suit various classes of investors, are based on the best security in existence, and because the margin of security is equal to or greater than the amount of the loan.

Both Federal and Joint stock farm loan bonds run 20 years, but they are redeemable at par and accrued interest on any interest date after five years from date of issue at the option of the bank issuing the bonds. The act provides for bonds in denominations of $25, $50, $100, $500 and $1,000; but an amendment is now before Congress which proposes that they "shall be issued in denominations of $40, $100, $500, $1,000, and such larger denominations as the Federal Farm Loan Board may authorize." In either case a bond is offered to investors possessing either moderate or abundant means.

Where loans are made to the maximum limit allowed by law, a bond of $1,000 has behind it not only $1,000 worth of first mortgages, but an equal value in unencumbered farm property. These farms are not lying idle, but each borrower is either cultivating his own farm or having it cultivated by hired labor. And the products of these farms are required to place nations on their feet again in the period of reconstruction. In all the world no better security exists at present than farm lands. Conditions may change, governments may rise and fall, inventions may be multiplied; but as long as human beings inhabit this globe, the production of foods and raw materials of clothing, shoes, and other fabrics can never be otherwise than the basic business of our industries and of human life and happiness.

The increase in population only serves to increase the demands upon farm lands. In fact the plain tendency during the past three or four years has been to increase land values. Likewise the growth of large cities tends to throw on every farm an increasing demand for farm products. This will continue, and farm lands are becoming year by year more valuable to their owners as compared with almost any other form of security.

When to this fundamental and unalterable security is added the assurance of prompt payment of principal and interest, guaranteed in the case of every bond by the joint liability of the twelve Federal land banks, by the conservatism of appraisals of all the land banks, and by confidence established through governmental supervision, these bonds may well be termed "gilt-edge" and the premier security on the market.

That the demand for funds derived from the sale of bonds to aid agricultural development is still enormous is shown by the fact that the 12 Federal land banks had on hand November 30, 1919, approved applications for loans to the amount of $57,335,750, and 25 Joint stock land banks to the amount of $26,146,200. The money to lend for this purpose will come from the sale of farm loan bonds.

The Future of Tax-Exemption

From the standpoint of agricultural development, the farm loan system has undoubtedly been instrumental in increasing crop production during the most trying period of the great war. But the war brought about increased taxation, so that the tax-exempt feature of farm loan bonds made them extremely popular with investors.

Among many bankers and capitalists who lend money on farm mortgages the subject of tax-exemption has always seemed to savor of special privilege. Consequently, during the past two years, this feature of the farm loan act has been under severe criticism, particularly as it applies to joint stock farm loan bonds. This agitation has now crystallized in two forms:

(1) A suit has been instituted and taken to the Supreme Court of the United States to test the constitutionality of the provisions of the act which exempt from taxation the farm loan bonds of both classes of land banks; and

(2) An amendment has been proposed in a bill now before Congress to tax joint stock bonds and their income, but leaving Federal land bank bonds exempt from taxation.

Whatever action may be taken by either the Supreme Court or Congress in this matter, it is practically certain that the hundreds of millions of dollars worth of bonds already issued and the income therefrom will remain tax-exempt. In fact, the amendment offered expressely provides that it "shall not apply to any farm loan bond issued by any joint stock land bank prior to the taking effect of this act. Such bonds and the income derived therefrom shall continue to be exempt from Federal, State, municipal and local taxation."

The question that remains, therefore, is the value to investors of farm loan bonds on the assumption that the tax-exempt feature will be removed. If the bonds of both kinds of land banks should no longer be exempt from taxation, there would still remain the other advantages of a nation-wide security based on a necessary industry, with a conservative appraisal system and the issue of bonds both under government supervision, the amortization plan of repaying loans, and the expenditure of loans for productive agricultural purposes.

These are staple advantages. There is no opportunity for speculation here. Federal land bank bonds would still yield 4½ per cent interest and Joint stock bonds 5 per cent. But, with the Commissioner of Internal Revenue stating that taxation will be less in 1920 and will continually grow less from year to year in the future, the small advantage which tax-exemption has given to farm loan bonds would be of decreasing value, even if it were continued, and forms but an insignificant element in the merits of this security.

In Europe Landschaft bonds have sold successfully in competition with other securities without the aid of tax-exemption and have always found a ready market; and joint stock banks have been operated profitably on private capital without any form of government aid. There seems to be no reason, therefore why farm loan bonds as an investment security should not continue on the market and find ready purchasers even with the tax-exemption advantage removed.

For agriculture cannot wane. There is today an enormous demand for our surplus farm products abroad. With an increase in our population, the demand will increase at home. The prospect for reciprocity of investment capital and agricultural production was never greater than at present. Under these conditions therefore, the investment of private, fiduciary and trust funds in farm loan bonds would seem a wise policy to pursue, combining safety with profitable investment and which promotes the development of agriculture as the basis of national prosperity.

How I Handle My Own Funds

VIII—Trading Rules and Principles—The Factors of Success

By **RICHARD D. WYCKOFF**

SOME people may form an impression, based on my previous articles, that when one acquires the proper amount of training and experience, making money by trading and investing in securities is an easy proposition. I hasten to correct either this impression or another which might also have been formed: that it is easy sailing for me personally.

I have yet to find the man, in or out of Wall Street, who is able to make money in securities, continuously or uninterruptedly. My experience is no different from that of many individuals who are known as successful Wall Street men. Like every one else, I have my good and bad periods. Sometimes it appears as though everything I touch pans out well, and at other times everything seems to go wrong. It is much like any other line of business.

Success in trading means an excess of profits over losses. Success in the investment field means more good than bad investments. If any one tells you he can be almost invariably successful, put him down as trying to impose on your credulity. One hundred per cent accuracy was a height not even attained by the late J. P. Morgan. James R. Keene often said he was doing well if he could be right six times out of ten. I often used to call on him and watch him trading over his ticker on the fifth floor of the Johnson Building, 30 Broad Street, and there was many a time when I could plainly see from the nervous way in which he worked back and forth from his ticker to his telephone, and paced up and down the floor like a caged lion, that things were not going well. In his thirty or forty years Wall Street career he went broke more an once.

I went into Harriman's office one day and found him a veritable bull in a china shop, because the market had been going contrary to his expectations.

In the present generation Jesse Livermore's operations are the most spectacular, but he is not by any means always right. Like all other traders, big or little, he makes serious mistakes at times.

I have found some men who claim that they never take a loss. This may be true, but I should rather take losses than take an inventory of the final result of such operations, because it is bound to show a number of securities that are miles away from their cost and which should be listed either as "Hopes" or "Faint Hopes." This reminds me of a very clever trading rule followed by Jesse Livermore. Unless a stock shows him a profit within two or three days after he buys or sells it short, he closes the trade, on the ground that his judgment was wrong as to the immediate action of the stock, and he cannot afford to be tied up. He says, "Whenever I find myself *hoping* that a trade will come out all right, I get out of it."

One of the cleverest and most experienced traders on the floor of the New York Stock Exchange—a man who usually makes $300,000 a year out of his floor trading—said to me, "Whenever I take a position in a stock and find that it is running into a sufficient loss to amount to $20,000 or $25,000, and it begins to bother me in my day-to-day trading, I close it out.

Now go into the investment field and take the published annual list of investment securities owned by any of the big life insurance companies such as the Equitable, Mutual, New York Life, or others who have the very best connections in the financial district, and whose investments are made under the advice and guidance of eminent financiers, attorneys, experts and actuaries. You find the same thing—frequent investments which turn out badly and which have to be written down and charged off.

On What Success Depends

Success in either field, therefore, depends upon whether your profits exceed your losses and income—how close you can come to one hundred per cent. accuracy. So no matter how long or how hard you study, nor how careful, conservative and experienced your guide, your counsel or your bankers, you must anticipate a certain portion of unfortunate investments and operations.

It is for this reason that many (but not all), of my investments are made with intent not only to realize large profits but to offset these occasional and unavoidable losses. I have found some men who claim that they never take a loss. This may be true, but I should rather take losses than take an inventory of the final result of such operations, because it is bound to show a number of securities that are miles away from their cost and which should be listed merely either as "Hopes" or "Faint Hopes."

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Livermore's purpose in this rule is to keep his trading capital in circulation; never allowing it to become tied up or congested. It is a good rule. Think it over, and you will recall that you have often not only lost money by sticking to a hopeless proposition, but you have lost many, many opportunities.

Another Livermore principle is the cutting of losses. Of course, in his 10,000, 20,000 or 50,000 share campaigns he cannot place stop orders like a 100, 200 or 500 share trader, but he usually has a mental stop and when it is reached he closes out the trade.

It will be observed that Livermore, by the use of these two rules, has both a time and a price stop. He will not devote his margin (capital) to a transaction for more than a few days, and he will not let the trade run against him for more than a few points. While he, so far as I know, originated the first rule, the second, viz., the use of stop orders, has been one of the first principles of successful operators for many years. He, Harriman, Keene, and a host of others have advocated the absolute limitation of risk.

While I have made it a practice to limit my risk in most cases, I can trace most of my principal losses to my failure to place stop orders when the trades were made. And while I have always studied the limitation of risk and generally endeavored to trade in a way that will keep the risk down to a minimum, I have very often delayed placing a stop order until the opportunity was lost, and in some cases these losses have run into five or ten points when they might just as well been limited to two or three. These incidents are of value because they show what should be avoided.

How I Get Best Results

In trading I get the best results by watching carefully for an important turning point, limiting my risk, and trading for the ten or twenty point swings. But very often when I have the time to devote to it, and I feel myself in harmony with the market, I like to trade actively. Jumping in and out of stocks to the extent of 5,000 or 10,000 shares a day in the aggregate is a lot of fun, but is usually more profitable for the broker than for the trader, because of the immense handicap he is under in trying to pay commissions, taxes and losses out of the small daily swings and get a profit besides. A trader on the floor of the New York Stock Exchange has an advantage over a nonmember, whose total expenses on such business under the increased commission rates run from $1,000 to $2,000 a day.

The worth while changes in security prices do not generally occur within the same session. The market movement or the situation which produces it must have time in which to develop. It has been well said, "The day to buy is not the day to sell."

Subscribers frequently write me and explain that they are far removed from the market and ask whether they had not better come to New York or go to Chicago so as to be in "close touch with things." Very often this "closeness" is a handicap. One's real study is done away from the market, not in a broker's office.

The best work I ever did in judging the market was when I devoted one hour a day in the middle of each session. I did not come to Wall Street. I had no news ticker. I seldom read the news items but judged solely from the action of the market itself; hence I was not influenced by any of the rumors, gossip, information or misinformation with which the Street is deluged day after day.

The out-of-town investor is therefore not under as much of a handicap as he might suppose. If he is trading and can get the result of the day's operations in time to give his orders next morning, he is better off than the majority of people who come down here and hang over the ticker. His opinions are formed from the facts. He must know how to assemble these and draw the proper conclusions. But all he needs is the highest, lowest and last prices of the stocks which he is watching. Without being at all egotistical I believe I could go around the world and having arranged to have these few details of a stock like U. S. Steel or any other active issue cabled to me daily, I could cable my orders and come back with a profit. It would not be necessary for me to be advised of the volume of trading in that stock or the general market, although in some instances this might help. Certainly I would not care to have any news of any kind included in the cables.

(*Series to be continued.*)

Stabilizing the American Dollar

Professor Fisher, of Yale, Would Adjust Dollar's Metal Weight to Changing Commodity Prices

IN a discussion of methods for stabilizing the dollar, Irving Fisher, professor of economics at Yale University, advocated constant readjustment of the weight of the gold dollar to correspond with variations in its purchasing power. Professor Fisher said, in part:

"Since the dollar is fixed in weight it is necessarily changing in purchasing power. What we want is a dollar fixed in purchasing power and therefore changing in weight.

"Instead of always having that fixed price of $20.67 an ounce, for which the Government must, under our present laws, buy and sell gold, irrespective of what it is worth, let us change that price from time to time. When gold depreciates, let us mark it down; when gold appreciates, mark it up. In other words, let us vary the weight of the dollar, adding to it when the index number of prices is too high and taking from it when the index number of prices is too low. Whatever your theory of money may be, no one can deny that by regulating the weight of the dollar we can absolutely control the price level.

"We want our monetary unit to be constant in its purchasing power over goods in general, i. e., to be equivalent to a certain constant aggregate of commodities. The index number indicates the purchasing power of gold over commodities. If we take the present price level as our standard we may find that next month the price level has gone up 1 per cent. In other words, the dollar has depreciated so that it takes $1.01 to buy what a dollar used to buy. We can restore this lost purchasing power by adding 1 per cent to the weight of the dollar. If the 1 per cent. increase of the price level is not remedied by this 1 per cent. adjustment in the weight of the dollar, then at the next adjustment we readjust it by adding another 1 per cent. As long as that price level remains 1 per cent. above par we can add in 1 per cent. every month until our loaded dollar becomes an ounce, a pound or a ton if necessary! In this way any change in the price level would always be in process of being corrected, the gold bullion dollar would always be approximated to a constant purchasing power, i. e., a constant price level, the circulating dollar certificates, being redeemable, would be kept equal in purchasing power to this amount of gold, and, finally, the credit structure (assuming a sound banking system) would also be kept from fluctuating by its relation to this stabilized dollar."

Professor Fisher summarized the steps which would have to be taken if his plan were adopted, as follows:

1. To abolish gold coins and to convert our present gold certificates into "gold bullion dollar certificates," entitling the holder, on any date, to dollars of gold bullion of such weight as may be officially declared to constitute a dollar for that date.

2. To retain the "free coinage," i. e., to be more exact, the unrestricted deposit of gold, and to retain also the unrestricted redemption of gold bullion dollar certificates.

3. To designate an ideal composite of "goods-dollar," consisting of a representative assortment of commodities, worth at the outside a gold dollar of the present weight and to establish an "index number" for recording at stated times the market price of this ideal goods-dollar in terms of the gold bullion dollar.

4. To adjust the weight of the dollar (i. e., the gold bullion dollar) at stated intervals each adjustment to be proportioned to the recorded deviation of the index number from par.

5. To impose a small "brassage" fee for the deposit of gold bullion and provide that no one change in the bullion dollar's weight shall exceed that fee.

Electric Power Companies Prosper

High Grade Securities of Electric Power and Lighting Companies Out of Line with Industrial Issues

By **E. G. DIEFENBACH**

IN point of steadiness of earning power and consistency of growth no business rests upon a more secure foundation than the electric power and light industry.

In this classification, traction properties are not included, although many power and light companies operate a small per cent of traction properties. In spite of large increases in both gross and net earnings the securities of power companies have been carried down in price until today some unusual bargains are available.

PRESENT LOW PRICES OF POWER COMPANY STOCKS COMPARED WITH 1917 LEVELS

	Price Feb., 1917	Price Feb., 1920
American Power & Light Co. 6 per cent Debenture 2016	94½	74
Cleveland Elec. Illg. Co. 1st 5s 1939..........................	101¾	87
Consumers Power Co. (Mich.) 1st and Ref. 5s 36.........	98	84
Detroit Edison Co. 1st and Ref. Mtg. G. B. "A" 1940..........	101	88
Georgia Railway & Pr. Co. 1st and Ref. Mtg. 5s 54	91½	74
Great Western Pr. Co. 5s 1946................................	89	84½
Montana Power Co. 1st and Ref. Mtg. 5s 1943	100	84
Northern Ohio Elec. Corp. 1st lien and Ref. Mtg. "A" 5s 1956	94	75
Northern States Power Company 5s 1941	96½	82½
Pacific Gas & Electric Co. General and Ref. Mtg. 5s 1942......	93	81½
Philadelphia Electric Co., 1st Mtg., 5s 1966	101½	90½
Southern California Edison Co. General Mtg. 5s 1939	98	85
Standard Gas & Elec. Co. Conv. 6 per cent Sk. Fd. Bonds 1926.	101½	87
United Light & Railways Co. 1st and Ref. Mtg. 5s 32........	89	75
Wisconsin Edison Co. 10 year 6 per cent Debentures 24	98	84

New issues of industrial bonds and notes are selling at relatively much higher prices and at a time when their earnings seem to be at the highest point, whereas, most of the securities of electric power and light companies are not selling at prices much below those warranted by their constantly increasing earnings and their steady earning power during periods of industrial depression.

Considered as a manufactured product electricity is fast assuming a foremost position in this country. In 1907 the ratio of the value of electricity generated to the value of all manufactories was about 7 per cent while in 1919 this ratio had increased to about 17 per cent. Few other industries can show anything like such a remarkable growth. This growth has been coincident with the discovery of further uses for electric power and lighting.

Reviewing the progress made in a short twenty years, we have seen the steam turbine and electric generator drive the steam engine from the stationery power field. We have seen companies which formerly derived most of their earnings from electric lighting and power to street railways develop large central station power plants, supplying power to every class of industry. This development through the use of larger electrical generating units has resulted in a reduction in the average cost per Kilowatt hour of electricity to the consumer of from about 3c. per Kilowatt hour in 1907 to 2c. per Kilowatt hour in 1919 or 33 per cent.

This reduction in the cost of power is resulting in the gradual elimination of private power plants and the addition of many new uses for electric current in order to save labor, and fuel and to produce a better grade of manufactured products.

New Uses of Power

The electric furnace is already an important factor in the steel industry. In 1908 there was one electric furnace in the United States while today there are over 475. The quality of electric steel and its uniformity are greater than can be produced in any other form of furnace, and, in addition, its cost of manufacture is lessened through a very great saving in fuel. There has been a tremendous growth in the output of electric steel for making articles which require the best quality of steel such as castings for machine tools and parts for automobiles. Soon it will be necessary for every manufacturer to use electric steel in order to sell his products.

Now that the railroads are to be returned to private ownership we may expect to see a resumption of their electrification. This will mean a further demand for power from large central stations. The St. Paul has already electrified 885 miles and purchases the power for electric current from the Montana Power Company. The Pennsylvania Railroad for its Philadelphia Terminal buys its power from the Philadelphia Electric Company. The New Haven railroad obtains its power from the New York Edison Company. Several large systems such as the New Haven, the Lehigh Valley and the Baltimore and Ohio have had the matter of electrification under consideration for some time.

Electrification affords a cheaper and better means of securing increased track capacity and improved service than by the construction of more rails and the operation of more steam engines in the same old wasteful way. Approximately 12 per cent of all the freight carried by the railroads in 1918 represented the movement of coal for railroad purposes only. A quarter of all the coal mined in the United States is consumed on our railways, amounting to about 176,000,000 tons in 1918. Approximately 122,500,000 tons of coal or more than two-thirds of

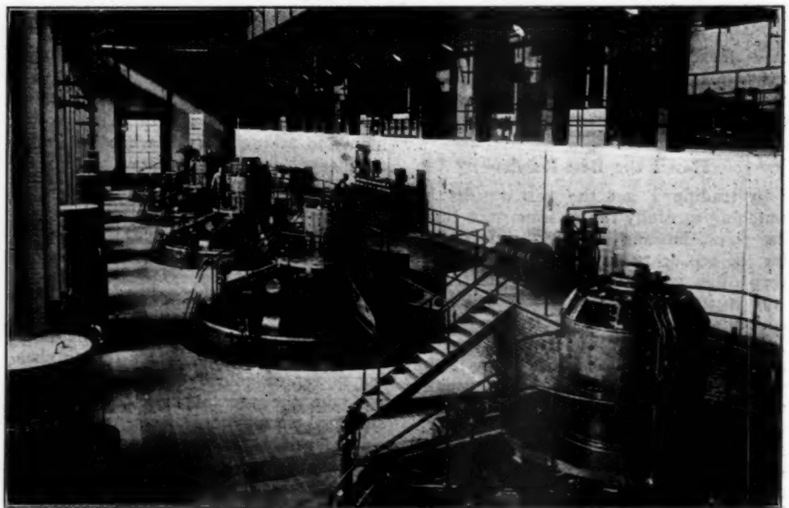


Photo by Underwood & Underwood.

A HYDRO-ELECTRIC GENERATING PLANT

Located in the Fishing Creek Plant of the Wateree Power Co. in North Carolina where conditions are favorable for the economical production of electrical power

the coal burned in our steam engines would have been saved during the year 1918 had the railways of the United States been completely electrified along lines fully tried out and proven successful by the St. Paul.

The electric power and light business is the most stable of industries. The following figures on output and revenue of central stations in the United States show the stability of earnings and the consistency of growth of power companies.

	Revenue	Output k.w.-hr.
1902	$ 85,700	2,507,051
1907	175,642	5,862,277
1912	302,115	11,532,963
1917	457,250	26,960,000
1918	531,600	29,686,000
1919	601,000	30,300,000

Power companies benefit from nearly every industry that is active. Before a severe depression in the revenues of power companies as a class could occur almost every industry in this country would have to experience a severe decline. On the other hand power companies will derive a direct and immediate benefit from marked prosperity in the industries they serve. Therefore, the earnings of power companies are the least subject of any industry to a severe depression. Furthermore, earnings from electric lighting are rarely subject to depression and earnings from power for steet railway purposes are constant at all times.

Another important factor in connection with the furnishing of power for industrial purposes is the sliding scale basis whereby the cost to the consumer is increased as the amount of power consumed decreases. One of the large power companies in eastern Pennsylvania showed decreases in gross earnings from power sources in the depression following the temporary lull in business in the first few months after the war ended, but on account of the sliding scale contracts, was able to report an increase in net earnings during the period.

Operating Ratio Falls

With operating expenses mounting to 82% of the revenue of our railroads it is a source of gratification to the investor in power company securities to see a decline in the operating ratio of power companies from 74 1/2% in 1917 to 73% in 1918 and less than 72% in 1919.

The labor problem is one of the biggest arguments for investment in power company securities. The Great Western Power Company of California with a gross revenue of over five million dollars requires only six men to operate its principal generating station. The use of the automatic stoker has practically eliminated manual labor from the big steam generating plants.

In a non-selected list of forty of our larger power companies only two show decreases in net earnings for the twelve months ended November 30, 1919. Total net earnings increased from $110,416,019 in 1918 to $123,545,671 in 1919 or 12%. Increasing net earnings have been the outstanding feature of these companies and will be so as the great electrical development continues.

The first mortgage securities of most of the power companies mentioned are selling from ten to fifteen points below the average of 1917 and 1918. In spite of the increased earnings in 1919 and although one year nearer to maturity, the prices of the securities declined five points on the average. Many of these issues are selling at the lowest prices reached in years. Most of them are not likely to sell much lower.

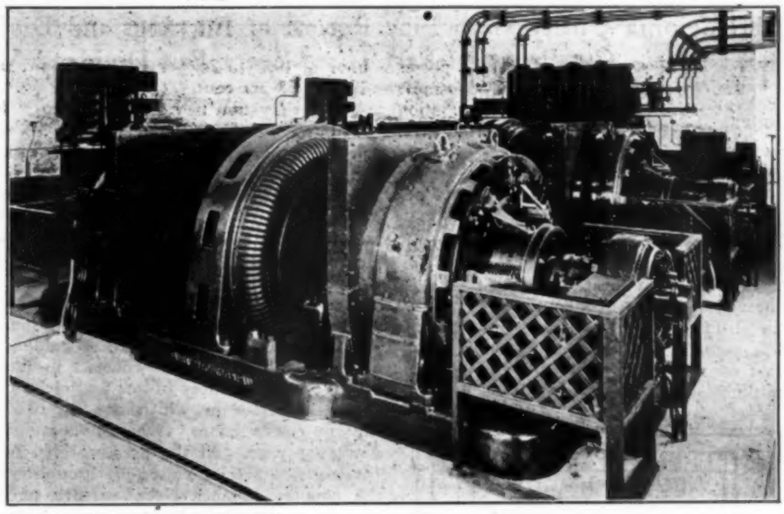


Photo by Underwood & Underwood.

CLOSE UP VIEW OF A MODERN GENERATOR

A modern type of medium-duty generator, a product of the General Electric Co. and extensively used in hydro-electric power plants

Owners of industrial bonds might well consider at once a policy of exchanging into power company bonds while the prices of industrial bonds are still relatively high and those of power companies at practically their lowest point. The securities of many of our best power companies are now obtainable on an investment basis whereby a considerable cash profit can be made at once in making the exchange, while at the same time the investment merits of total holdings may be improved. On the basis of present prices the securities of electric power and lighting companies offer a much larger return and greater certainty of steadiness than most industrial issues.

TABLE II—INCREASES IN EARNINGS OF PRINCIPAL POWER COMPANIES IN 1919

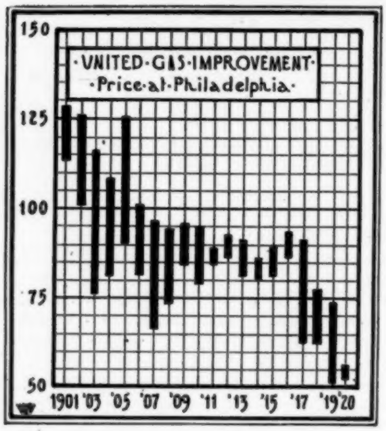
	Gross Revenue 12 Mos. to Nov. 30, 19	Gross Revenue 12 Mos. to Nov. 30, 18	Inc. %	Net Revenue 12 Mos. to Nov. 30, 19	Net Revenue 12 Mos. to Nov. 30, 18	Inc. %
Amer. Power & Light Co. (Sub. Co.)	$15,902,704	$13,423,126	18.5	$5,948,491	$5,132,763	15.9
Brooklyn Edison Co., Inc.	10,850,119	8,854,302	22.5	3,351,012	2,691,857	24.8
Cleveland Elec. Ill'g Co.	9,206,812	8,393,746	9.7	3,042,307	2,606,143	26.8
Consumers Powers Co., Mich	8,054,840	6,489,943	24.1	3,516,704	2,728,679	28.9
Commonwealth Pr. Ry. & Lt. Co. & Subs	25,555,104	21,735,128	17.6	10,482,942	8,387,671	25.0
Detroit Edison Co.	14,746,417	12,386,394	19.1	3,757,034	3,261,912	15.2
Duquesne Light Co.	12,926,188	11,579,422	11.6	4,627,338	4,141,200	11.8
Georgia Railway & Pr. Co.	8,679,298	7,275,076	19.3	3,163,112	2,523,537	39.9
Great Western Power Co.	5,324,668	4,624,314	15.2	3,088,072	2,666,999	15.8
Northern Ohio Elec. Corp.	9,092,319	7,162,252	26.9	3,082,725	2,445,214	26.0
Northern States Power Co.	9,726,147	8,227,877	18.1	4,095,103	3,441,477	18.5
Pacific Gas & Elec. Co.	25,999,888	22,397,899	16.1	8,748,201	7,876,925	11.2
Philadelphia Elec. Co	16,228,705	14,503,851	11.8	5,879,631	4,628,209	27.0
Southern California Edison Co.	10,481,694	8,608,980	21.8	6,135,996	5,308,560	15.6
Standard Gas & Elec. Co.	26,807,124	22,849,127	17.3	9,846,396	8,738,697	12.6
United Lt. & Rys. Co.	10,136,199	9,161,198	10.6	2,917,922	2,675,732	9.1
Wisconsin Edison Co.	17,494,624	14,325,232	22.1	3,805,910	3,062,846	24.3

United Gas Improvement Company—32-Year Dividend Payer

Philadelphia Utility With Fine Record of Earnings and Dividends—Lowered Gas Rate Has Cut Profits of Past Three Years, But Dividend May Be Maintained

By OWEN ELY

UNITED Gas Improvement Company of Philadelphia has an unbroken 8% dividend record extending back to 1888—an enviable history even for a public utility. Its earnings have averaged very consistently around 12% on the stock up to 1916, but each subsequent year has registered a decline of about 2%, so that the 1919 estimate indicates only about 6% earned. However, it is understood that operating income for 1919 will show a slight improvement over 1918, the decline in the per cent earned on stock representing the loss in "Special Income," mainly derived from the sale of securities of subsidiary companies.



Even as late as 1917 the stock, which has a par of $50, sold in the 90s, showing the high esteem in which it was regarded by local investors. In 1919, however, the price dropped almost to par on the Philadelphia Exchange, and the present quotation is 54.

In former years the company has done its financing entirely through new stock issues, which has resulted in handsome rights for stockholders. It is estimated that these rights, together with the several stock dividends declared, would have given an original purchaser of stock in 1896 (assuming that rights were disposed of at market value) an estimated annual average return in the neighborhood of $5 for 1896-1920, or more than the annual cash dividend. This accounts for the high levels at which the stock once sold (128½ in 1901). The last stock allotment was in 1909 and the last stock dividend (10%) in 1917.

In the past the stock has been rather dormant, but sales of large holdings by estates and purchases by small investors have recently made it one of the most active on the Philadelphia board. At the present time the shares are distributed in the hands of 14,221 stockholders, with an average holding of 86 shares—a very respectable showing. The drastic decline from around 75 last year, and the present yield of 7.4% together with the improved prospects which seem to make possible a continuance of the dividend have tended to make the stock a popular local issue.

United Gas Improvement is a holding company, whose business consists in the operation of a number of gas and electric plants, interests in which are acquired through construction, purchase or lease of new properties. At the present time its various subsidiaries scattered throughout the country number close to fifty and serve a population estimated at 5,000,000.

A corporation called the U. G. I. Contracting Company was formed in 1919 to take over from the parent company all construction business, together with the manufacture and sale of various appliances, such as water gas apparatus, waste heat boilers, vertical retorts, etc. The subsidiary also undertakes to construct and maintain roads and highways under contract, and this business should prove very profitable because of the recent activity in road-building stimulated by state and Federal appropriations.

Welsbach Holdings Valuable

United Gas has a valuable interest in its two-thirds holding of the stock of the Welsbach Company, which manufactures gas mantles. This stock at present pays a dividend of only 2%, or $70,000, but average earnings for the past three years have averaged close to $400,000. During the war the Welsbach Company was greatly handicapped in production because of abnormal demand for its special raw materials, etc. 1919 will show much better results, it is said, and 1920 still further improvements. Moreover, at the present time about $450,000 is absorbed annually by interest and sinking fund charges on the funded debt, and as the latter will be completely retired within four or five years, the amount named will then be available for dividends. Assuming that the dividends are then increased to a conservative amount of $600,000-700,000, this will give U. G. I. about 1% additional on its stock, which, though not very substantial perhaps, will help to restore the margin of safety for the 8% dividend.

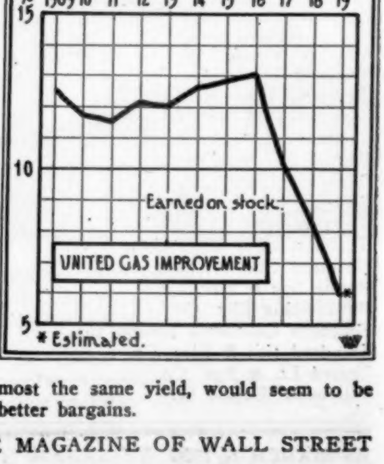
Sales of gas in Philadelphia have steadily increased from $7,793,000 in 1915 to $9,641,000 in 1919, but unfortunately the company is limited by franchise terms to 75 cents per thousand cubic feet—the rate having been reduced from 85 cents in 1913 and 80 cents in 1918—and this, of course, has had much to do with the decline in net. However, the company has been able to obtain rate advances for a number of its subsidiaries, the aggregate increase in gross amounting to about $2,000,000. The properties outside of Philadelphia have also shown a healthy increase in business, the 1918 report indicating aggregate increases in sales over 1917 of 20% for natural gas, 15% in electric current and 7% in manufactured gas.

The company's funded debt is very small, consisting of $7,500,000 6% notes maturing Feb. 1, 1921. The original notes were issued in order to make advances to subsidiaries, and the notes are refunded each year as they come due, Drexel & Co. having taken the entire amount of the 1920 issue. The credit standing of the company is indicated by the fact that it is still able to re-issue the notes on a 6% interest basis. When the company is able to dispose profitably of the securities held as collateral for the loan the notes will be retired.

Substantial Surplus

The company's undivided profits, as reported for Dec. 31, 1918, amounted to $35,852,061, making the asset values equivalent to nearly 160% on the stock. Working capital amounted to $17,773,000, or nearly double that for 1917. Figures for 1919 are not yet available. Since the company's investment in the properties of its subsidiaries has not been written up to correspond with cost of reproduction, the present value of these properties is without doubt very much in excess of the book value.

At present prices the stock seems to be fairly attractive, though securities such as Bethlehem Steel 8% preferred, with almost the same yield, would seem to be better bargains.

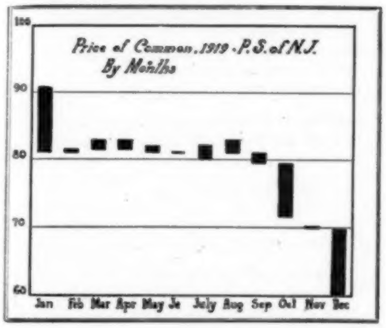


Public Service of N. J. Now in Better Position

After Marked Decline in Earnings, Reduction of Dividend Rate, and Increase in Capitalization, Outlook at Last Shows Improvement

EXTRAORDINARY difficulties which the corporation's subsidiaries have experienced during the past two years in endeavoring to meet increased costs of labor and material under insufficient rates, caused a considerable reduction in the annual net income. While the net for 1916 amounted to $2,941,867 or $11.66 a share on the $25,000,000 common stock then outstanding, earnings for 1918 dwindled to $1,820,430 or $6.06 per share on the $29,999,600 now outstanding, of which $10,612,700 is owned by the United Gas & Improvement Co. of Philadelphia.

Conditions became considerably worse through the installation of the so-called zone-system in September, 1919, in accordance with which passengers were to pay 3c. for the first mile and 2c. for each additional mile. This experiment lasted only six weeks, after which period it was



abandoned because of public opposition, after having caused a loss of more than $1,500,000. The substitution of new rates met with more favor since it entailed considerable reduction in fares for the long-haul passenger compared with the scale during the zone system. The reduction in the rate of fares is expected to be made up by the constant increase in traffic, as can be seen from Table II, showing traffic and operating statistics. The power and gas companies have made a slightly better showing than the traction lines, showing a gain in the sales of nearly 10%.

TABLE II—TRAFFIC AND OPERATING STATISTICS.

	Revenue Passengers	Ga. Sold (M. cu. ft.)	Elec. Pwr. Sold (K. W. hours)	% Oper. Ex. Gross Revs.
1913	308,985,240	10,221,097	141,936,243	48.2
1914	310,308,660	10,907,541	159,044,648	49.3
1915	313,923,363	11,231,282	197,679,591	52.8
1916	342,205,973	12,399,852	280,871,843	54.4
1917	361,187,782	13,610,865	371,509,459	56.2
1918	353,190,897	14,783,231	440,068,104	61.2
Annual Average	331,633,653	12,192,403	265,084,980	53.7

In March, 1919, a strike broke out in the company's plants, which cost the employees about $100,000 in wages, and the company more than $500,000 in fares. Another strike threatened the company in July, but was averted by granting the men a 9-hour day at pay for 10 hours, and by according full recognition to the union. The contract was signed for a period of two years.

TABLE I—CONSOLIDATED INCOME ACCOUNT IN DOLLARS PER SHARE OF COMMON.

	Net After Charge	Dividends Paid	Annual Surplus
1913	8.99	6.00	2.99
1914	6.50	6.00	.50
1915	7.89	6.25	1.64
1916	11.77	7.75	4.02
1917	7.92	8.00	.08*
1918	6.07	6.00	.07
Annual Aver.	8.19	6.67	1.52

*Deficit per share.

In view of the above mentioned difficulties, and also from the standpoint of conservation of cash resources, the last quarterly dividend of 2% on the common stock was omitted for the year. The omission of dividends should strengthen materially the position of the outstanding $36,000,000 general mortgage 5s which are selling around 65, and eventually the position of the stock also, which has declined considerably. (See graph.)

Details of New Issues

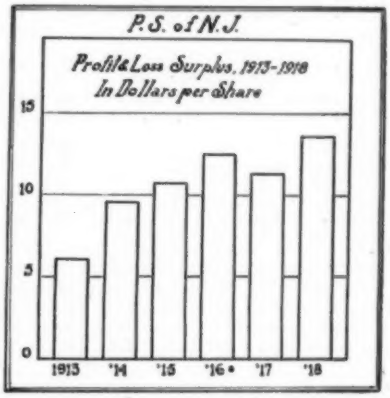
In February, 1919, the stockholders authorized the creation of an issue of $50,000,000 8% cumulative preferred stock and $12,500,000 collateral 3% 7-year gold notes, available in $100, $500 and $1,000 pieces, to provide for the retirement of the $7,500,000 notes which were due March 1, 1919, and to furnish funds for other capital requirements.

The notes and $10,000,000 of the preferred stock were offered to stockholders in the ratio of 41 2/3 notes and 33 1/3 preferred stock at 98½ for notes and par for stock, for each share of capital stock held. The preferred is redeemable at the option of the company in amounts of not less than 1,000 shares after three years from date of issue on any quarterly dividend date upon 30 days' notice, at 110 plus accrued dividends. The amount of the issued and outstanding preferred stock shall at no time exceed the amount of issued and outstanding common, and all future issues shall be subordinate to the preferred as to assets and dividends.

Outlook

The outlook of the corporation which derives its revenues from earnings of the P. S. Railway, P. S. Gas, P. S. Electric and numerous smaller operating companies throughout the state of New Jersey, is fairly good. The territory through which it operates is constantly growing and the service continues to expand. With a return of normal conditions, earnings should materially increase, thus offsetting the severe losses the company has suffered in common with all utility corporations due to conditions arising from the war.

The electric and gas companies under existing rates, are functioning fairly, and the railway company should be able to pay operating expenses, depreciation, and fixed charges. The valuation of the property by the Public Utility Commission is



nearing completion. The result of this will no doubt be the establishment of a permanent rate which should enable the corporation to earn a fair return on its investment.

Are You Easily Influenced?

How many of you, Average Investors, have been influenced by remarks overheard in the subway, street cars, trains and other public places? Probably hundreds of thousands of shares and millions in bonds have been purchased and sold as the consequence of involuntary eavesdropping in public places. It is a true bill against the uneducated condition of the average investor. The chances are nine hundred and ninety-nine in one thousand that the speaker knows no more about an investment than you know about the lumber business, and yet you permit yourself to be influenced by a man who is probably more ignorant than yourself.

Investors' Indicator of Public Utilities

The dividend rate given covers regular declared dividends on yearly basis. Extra or stock dividends are noted from time to time in the comment column on the right, which also summarizes important price-affecting factors. The yield on price is based on regular dividends and the last reported sale or bid price before going to press. A minus sign before earnings column indicates a deficit for the year in dollars per share.

INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." It is also well to consult our Inquiry Department.

Company	High 1916	Low to Date	Recent Price	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share 1915	1916	1917	1918	1919**	Earned Last Fiscal Yr. on Recent Price	
Amer. Lt. & Trac.	..	..	185	$10†	5.4	24.6	25.6	20.9	14.4	13.1	7.0	Outlook for future continues bright.
Amer. Power & Lt.	..	..	62	4	6.5	4.2	6.3	4.5	4.92	...	7.9	Seems little affected by poor conditions among public utility companies.
Amer. Pub Util.	..	..	6	0	0.0	3.8	5.3	7.1	—.06	—.04	...	Gas subsidiary seeks increase in rates.
Amer. Tel. & Tel.	124	90	97	8	8.3	9.0	9.6	9.6	9.9	10.0	10.3	Expected to have banner year in 1920.
Am. W. W. & El., 1st pfd.	..	..	49	7	14.3	9.5	10.1	12.9	10.7	...	21.8	
Bklyn. Edison	131	87	96	8	8.3	11.6	11.8	8.8	9.2	...	9.4	Will issue bonds to pay for improvements.
Bklyn. Rapid Transit	94	12	13	0	0.0	7.4	7.5	6.9	5.5	...	42.3	Earnings improving.
Cities Service	488	100	367	6a	1.6	15.2	36.7	60.7	61.6	...	16.8	City of Toledo wishes to purchase company's subsidiary.
Columb. Gas & Elec.	65	56	56	5	8.9	.7	2.3	5.8	6.4	...	11.4	Electric business increases 25 per cent.
Com. Pr. Ry. & Lt.	..	..	20	0	0.0	7.4	8.8	5.7	—.03	...	...	Subsidiary to issue new securities.
Cons. Gas of N. Y.	145	76	78	7	9.0	9.2	8.9	7.1	5.7	...	7.3	1919 results exceptionally poor.
Detroit Edison	149	98	105	8	7.6	13.7	14.6	10.2	9.0	9.6	9.1	Debentures to be converted into stock.
Detroit Unit. Ry.	128	70	97	8	8.3	15.6	23.0	14.5	12.9	...	13.3	City of Detroit plans to compete with company.
Laclede Gas	104	43	43	0	0.0	9.2	11.2	8.5	4.5	...	10.5	Rate increases should help.
Mackay Co.	91	66	66	6	9.1	5.2	5.3	6.3	5.8	5.8	8.8	Contemplates laying cable to Japan.
Montana Pr.	115	41	64	3	4.7	3.7	8.5	7.0	6.1	...	9.5	Slowly recovering from set-back.
North Amer. Co.	76	39	52	5	9.6	6.0	7.2	6.0	5.3	...	10.1	Company operating successfully.
North States Power	..	..	57	0	0.0	3.2	5.9	2.1	...	...	...	Resumption of dividends on common not expected in near future.
Ohio Cities Gas	144	31	42	4	9.5	1.9	2.3	6.1	7.5	...	17.8	Now owns large interest in Oklahoma Producing & Refining.
Pac. Gas & Elec.	75	45	49	5	10.2	10.4	9.1	5.5	5.2	...	10.6	Also desires increase in rates.
Pac. Tel. & Tel.	44	17	34	0	0.0	0.5	1.2	1.7	2.0	...	5.9	Must return $130,000 to subscribers.
People's Gas Lt. & Coke.	118	35	37	0	0.0	8.3	5.3	—.9	—3.5	.16	.4	Will build large gas plant in Chicago.
Phila. Co.	47	21	36	3	8.3	4.4	5.1	6.2	4.2	...	11.7	Outlook for future improving.
Pub. Serv. Corp. N. J.	137	69	70	6c	8.6	7.8	10.6	7.9	6.1	...	8.7	Company's financial condition improved by rate increase.
Rep. Ry. & Lt.	..	..	16	0	0.0	2.9	3.5	5.8	0.02	...	.1	Subsidiary company granted rate increase.
So. Cal. Edison	89	73	86	7	8.1	6.7	8.6	8.3	7.5	..	8.7	Has received permission to sell bonds.
Stand. Gas & Elec., pfd.	..	..	38	4d	10.5	3.1	5.0	3.7	3.3	...	8.7	Company operating at top speed.
Third Ave. Ry.	68	12	13	0	0.0	4.1	5.9	—10.0	—2.7	—4.3	...	Operating under deficit.
Twin City Rapid Transit.	90	31	31	0	0.0	6.8	9.2	6.0	2.1	3.6	11.6	Earnings for 1919 show large increase over 1918.
Unit. Lt. & Ry.	..	..	26	4e	15.4	2.4	4.4	8.6	6.5	...	25.0	Common dividend deferred because of uncertain world conditions.
Unit. Ry. Inv., pfd.	39	10	23	0	0.0	3.0	3.5	4.4	3.3	3.2	13.9	Should benefit as result of prosperity of subsidiaries.
Western Power, pfd.	..	..	69	6b	8.7	8.4	9.5	9.3	11.9	...	17.2	Prosperous year expected.
Western Union Teleg.	105	76	86	7	8.1	10.1	13.5	14.4	11.6	...	13.8	Planning direct cable to Holland.

** Where earnings have been reported.
† Stock extra 2½ per cent.
a Paid 12 per cent in stock in 1919, 3½ per cent in 1920.
b Dividends accumulated 12½ per cent.
c Omitted last quarterly dividend in 1919.
d Paid 13 per cent in common stock in 1919, 3 per cent in 1920.
e January, 1920, dividend passed.

American Smelting and U. S. Smelting

Both Profit Heavily From Active Market for Silver—Where Present Production Comes From —Market Position of These Companies' Stocks

SINCE 1913, silver metal has gone through some of the most startling transformations of any commodity on the market. Production has wavered from nearly the highest level in twenty years to about the lowest; prices have surged up from rock-bottom levels to new highs. Mining camps which had long since been declared dead have been reopened, and producers of the white metal who were in the depths of despair five or six years ago have taken a new lease on life.

A study of the conditions which have influenced the market for silver in recent years reveals that, after every other possible explanation has been considered and found wanting, the true factors behind the course of prices have been nothing less prosaic than that old time combination, Supply and Demand. Much justice as there may be for cries of "profiteer!" in other markets, it seems plain that the silver market, far from being manipulated to its present level, has sought its level as naturally and unalterably as water. Indeed, we might go further and say that silver's jump in price has been in spite of every mechanical means to hold it down.

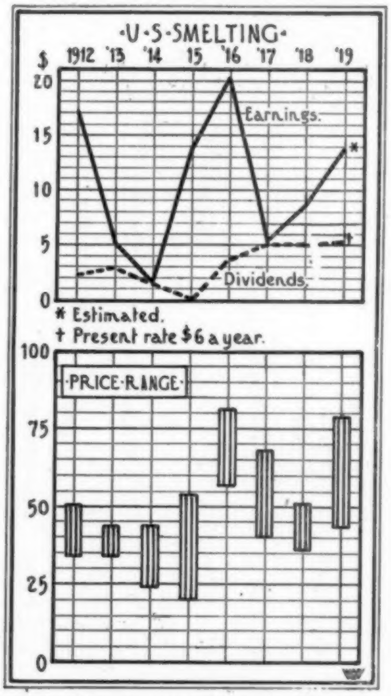
The figures on the production peaks of the world's silver during the period from 1901 to date are illuminating. In 1902 the world produced, in round numbers, 172,700,000 ounces of the metal. In 1913, production jumped to over 223,000,000 ounces. In 1914 the total output of silver fell abruptly to 160,626,019 ounces, a new low level for the period and a decrease of sixty-odd million ounces from the previous year. Since 1914 there has been some appreciable increase in the world's production of the metal; but the figures show that no very large proportion of the huge decrease noted from previous years has yet been regained. In other words, silver output for the past five years has been not slightly but millions of ounces below normal. There are the figures on supply.

Increase in Demand

The demand for silver since 1914 has been accentuated by numerous factors. One of the most important has been Great Britain's need of the white metal in order to pacify eastern allies who could not be paid in gold. It was largely to assist Great Britain meet these requirements that the Pittman Bill was passed by Congress of the United States, providing for the melting down of 350,000,000 silver dollars. At the close of 1919 it was estimated that over 270,000,000 of this authorized 350,000,000 silver dollars had been accounted for under the Pittman Act.

Other foreign governments, as well as the United States, have issued large amounts of paper money for which there is not a parity of silver metal in reserves, and the purchase of the metal to secure these notes and prevent the serious deflation of currency which, without a fuller proportion of metallic reserves, would undoubtedly take place, has become one of the chief sources of the current demand for the metal.

The Eastern peoples, dwellers in India and China, have continued to indulge their age-old foundness for hoarding the metal, and for converting it into jewels and ornaments. The amount of silver metal which goes in India and disappears there reaches tremendous proportions each year.



Finally, no small factor in the demand for silver at the present time, and one which promises to become of the greatest importance in years to come, is the moving picture industry of the world. The manufacture of films has grown by leaps and bounds during the war period in America, and promises to be very much increased with the development of the industry abroad, where little was done during the war. To what extent the use of silver in the arts has increased in the last few years is indicated by tabulations recently issued by the Director of Mint; they show that, whereas in 1880 only 2,793,929 fine ounces of silver were furnished for use in manufactures and the arts, over 30,000,000 ounces were diverted to these channels in 1913. In 1918, the total requirements of the arts had further advanced to the amazing total of over 36,000,000 ounces.

There, briefly, are the figures on demand.

The reasons for the great decrease in the world's production of silver within the last 15-months, are not far to seek. To put it in a nut-shell: Silver, in most cases, is produced as a by-product of copper and lead ores; demand for copper (although not for lead) has been practically at a standstill since the armistice was signed; although silver has been at a premium, the situation has not warranted large copper production for silver values; therefore, silver, simply because its production is almost entirely dependent upon that of copper has been produced only on a comparatively small scale.

Some producers of copper ore which is rich in silver content have mined and stored their copper in order to be able to market the silver values, but it is easy to see that this practice could not be carried very far. Also, some of the producers of silver alone, such as the Cobalt mines, have resumed operations; but, thus far, the activities of these latter properties have been largely in the nature of development work, and, even when they do get on an active producing basis, it seems unlikely that their contributions to the silver market will be large enough to materially affect it.

Thus, between reduced copper output and limited pure silver resources, reduced silver production of the country proves a natural and inevitable sequence.

What Are the Important Silvers?

The number of companies said to be producing silver in the United States varies sharply with the times. Just at present, if advertisements printed in certain publications are to be believed, there should be about twice as many fantastically successful silvers in this country as there were five years ago. But these advertisements are not to be believed and those imaginative mortals who claim to own large-scale silver producers today

AMERICAN SMELTING & REFINING.

SOURCES OF REVENUE.

	1914.	1915.	1916.	1917.	1918.
Gold	52,515,549	55,239,405	54,656,120	51,471,459	40,624,998
Silver	42,690,226	38,007,727	41,179,791	49,044,505	54,547,364
Lead	24,551,632	27,279,350	37,421,880	43,772,391	34,955,070
Copper	71,712,527	89,027,089	185,919,397	248,552,766	208,840,412
Zinc	....	....	7,558,556	4,381,529	4,544,170
Tin	....	....	1,730,811	6,460,047	14,635,932
Manufactured products	2,665,958	3,507,276	16,304,914	22,785,294	14,006,145

in districts that were deserted a few weeks ago are probably overstating cases, to put it mildly.

The investor in Wall Street who would select the group of companies benefiting most substantially from recent strength in silver metal will find upon investigation that the leaders of today are the leaders of the last decade. Nothing new in the way of large silver production, and no new and large producers of the metal, so far as we know, have materialized since silver began its sensational advance. Today, just as for the last 10 years, the leading silver producers of this country are the Anaconda Copper Mining Co., American Smelting and Refining Co. and U. S. Smelting, Refining & Mining. And of the few companies whose chief product is silver, there is only one large producer and that is Nipissing Mines.

To be sure, there are other producers of the white metal who stand to profit substantially from its advance in price: Magma Copper, for example is mining ore that is rich in silver; a few of the Tonopahs and one or two Cobalt producers manage to still dig out a good fraction of their old-time production; Cerro de Pasco is believed to be getting good silver values, while Kerr Lake, Butte and & Superior and Greene Cananea are not to be sneered at. The point is that these companies are of only minor significance as compared with the leaders which we mentioned; and the raft of hangers-on who have been trying to curry public favor on the basis of high silver prices rather than large production need not be considered at all.

American Smelting & Refining

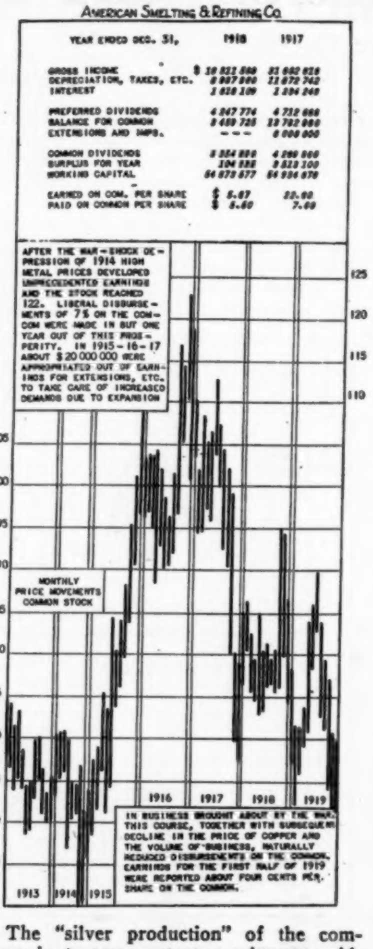
A brief analysis of American Smelting & Refining discloses a condition which is true as well of U. S. Smelting and Anaconda, namely, that the company's activities in the silver metals market are really secondary.

Despite the high price prevailing for silver in the first six months of 1919, American Smelters showed a deficit for the period of $1,195,464. This unfavorable result, as explained by Mr. Guggenheim, the president, was due largely to the sharp contraction in demand for all other metal which followed the signing of the armistice. In face of this decreased demand for metal, moreover, the company's wages increased; and overhead charges held up to their highest levels. As a final blow, the activities of Mexico's pet bandit forced a shut-down of several of the company's Mexican mines, and the practical suspension of operations at its Chihuahua Smelter.

These factors affecting the company's 1919 output were thought at the time to be of a temporary nature. The board of directors of the company were little enough discouraged by them to make dividend payments in 1919 out of the accumulated surplus of the company, although a reduction in the dividend rate was ordered. It was believed that, even in the final six months of the year, a sufficiently complete reversal in the metals markets would eventuate to justify an optimistic attitude regarding the future.

The scope of the American Smelting & Refining organization marks it as perhaps the most complex organism in American business today. Gold, copper, silver, lead, zinc and tin are included in its metal products; and, in addition, it deals in large quantities of manufactured products and chemicals.

American Smelting & Refining Co



The "silver production" of the company is, to some extent, a misnomer. Although it is credited with a product of over 69,000,000 ounces in 1917 and over 72,000,000 ounces in 1918, the actual silver production from the company's mines is considerably below this figure. "Smelters" purchases a large proportion of its raw silver in South America, running it through its own refineries. The refinery output is what is referred to by the legend "silver production."

The future of the company may properly be associated with developments in Mexico. At the present time, the factions below the border seem to have quieted down somewhat, and authoritative observers are of the opinion that a turn for the better in Mexican affairs has at last been definitely registered. That this opinion has a basis in fact is attested by the resumption of operations by American and other interests in Mexico on a large scale within the last few weeks. American Smelting & Refining has proceeded actively with the task of re-establishing its Mexican properties on an operating basis, and there seems to be good reason for expecting better results from these properties in the current year. It is estimated that Smelters' Mexican holdings, under semi-normal conditions, are capable of yielding profit of $8 a share a year on the company's common stock.

Next to a quiet Mexico, the best thing that could happen to Smelting would be a definite improvement in the copper market. This improvement, it may be stated, set in late in 1919; and it is credibly reported that the company has made sales of copper during the past eight or ten weeks which will come close to rivaling the sales for several months in 1919. To this extent, the optimism of the management expressed in the 1919 dividend payments has been amply justified.

Lead prices of course mean a great deal to American Smelting & Refining, and the company has enjoyed excellent business during the last few months in this department of its organization. At this writing, lead is quoted by American Smelting & Refining at 8.50c, compared with a high price for lead in 1915 of 7c, in 1916 of 7½c, in 1917 of 11c and in 1918 of 8.05c.

In short, the entire situation as affecting the American Smelting & Refining Co. seems to be clearing up with astonishing ease, and there seems every reason for taking a bullish position on the stock at its present figures.

An interesting chart on the American Smelting & Refining Co. is presented herewith, being an extract from the Graphic Records Service of The Magazine of Wall Street. This chart was prepared before the company's 6-months' report was issued, so the reference to the company's six months' earnings do not apply now. A study of the chart will

COMPARISON OF SILVER PRODUCTION FIGURES

(Production in Thousands of Ounces)

Production:	1913	1914	1915	1916	1917	1918	1919
World	223,907	160,626	178,850	161,177	174,187	197,394	197,000*
United States	66,801	72,455	74,961	74,414	71,740	67,810	55,585*
American Smelting & Refining Co.	....	77,604	76,117	71,868	69,841	72,572	65,000*
U. S. Smelting, Refining & Mining Co.	....	....	12,071	11,647	13,000	15,337	20,000*
Anaconda Copper Co.	8,719	7,221	9,005	11,837	9,031	10,967	12,000*
Nipissing Mines Co.	4,552	4,689	4,097	4,044	4,212	3,701	4,000*
High price, U. S. (c.)	62.93	58.52	54.97	75.76½	100.74	101.12	137.50**
Low price, U. S. (c.)	57.76	49.08	47.16	56.75½	73.86	85.72	101.12

* Estimated.

** Nov. 25, 1919.

show the responsiveness of the shares of this company to varying conditions in the metal world. Fluctuating in 1913 between 75 and 60, the common stock dropped in 1914 to the record low for the period shown of 50¼. From that price it advanced in sympathy with the great demand for metals instanced early in the war period to a high of 122⅞ comparing with a record high for the stock of 174 scored in 1906. It may be noted, in conjunction with this graphic chart, as demonstrating how closely Smelting stock reflects conditions in the metal market, that in 1913 the company earned 7.47% on its common stock, compared with nearly 32% in 1916.

From the high of 122⅞, Smelting common then reacted until the close of 1919 found it selling at 61½, or within a few points of its 1913 level. In other words, in spite of the great sums obtained by the company during the war and expended largely in improvements and expansion, the common stock has reacted, purely in sympathy with bad metal market conditions, to what amounts to its pre-war level.

At this writing, Smelting is selling around $64 a share; and, at that figure, it seems to have discounted the post-war reaction in metal prices rigidly enough to satisfy the most critical market judges. Assuming only that Mexican affairs continue their improvement, there seems no reason why the company's earnings should not recover with the metals markets—and, as our chart shows, the stock follows closely on the heels of every cycle in business activity.

U. S. Smelting, Refining & Mining

The favorable point with regard to the **U. S. Smelting, Refining & Mining Co.** seems to be that this company, through continued active silver operations throughout 1919, and to date, has managed to advantage from the high price of the metal to a fuller degree than almost any other producer. Its extensive Mexican properties, operating without interruption during 1919, assured a constant growth in production and improvement of organization; and, with other producers holding off to a marked degree, U. S. Smelting & Refining has enjoyed very close to a free-hand.

In addition to its active participation in the silver market, U. S. Smelting has also had little booms in its lead and coal departments. The company controls four coal companies owning over 16,000 acres of coal lands, and has increased its coal output to above 100,000 tons a month, comparing with an output of around 75,000 tons a month in 1917. Earnings from this coal production are said to be large enough to take care of all charges standing ahead of dividends on the common stock, in which case the company's large silver earnings, believed to be running in the neighborhood of $2.25 a share each month, are just so much velvet.

The company's report for the nine months to October, 1919, disclosed a prosperous condition in all departments, and therewith distinguished the U. S. Smelting Co. from its less fortunate brethren. Besides highly profitable activities in its regular pursuits, U. S. Smelting directors also report sizeable profits derived from the sale of "certain securities owned by the company," which securities consisted principally, it is believed, in oil investments.

As a result of its highly profitable operation, the company was able to finish 1919 in an unusually strong cash position with a balance estimated at above $6,000,000. This represents the largest cash balance of any year in the company's history, and compares with a balance at the end of 1916—that year of years for the mining industry—of a little over $5,000,000; and a balance at the end of 1918 of something over $2,000,000.

In recognition of the strong position of the U. S. Smelting, Refining & Mining Co., the directors, in the last quarter of 1919, increased the common dividend rate to $6 a year, an advance of $1 over the previous rate. No doubt is expressed in well-informed quarters of the company's ability to maintain this rate, especially since the price for silver metal seems permanently pegged at above $1 an ounce.

It should be mentioned that, during 1919, the company increased its silver holdings in Mexico through the acquisition of a new property adjoining lands already under control. Development work on this property up to the close of 1919 is estimated by officials to have disclosed its entire purchase price, and they state that the undeveloped portions appear to be in very promising territory.

The preferred stock of the U. S. Smelting, Refining & Mining Co. now sells around $46; at that figure it may be regarded as about as safe an investment in a mining enterprise as it would be possible to make. The common at 65 (par value $50) is certainly not over-rated when it is considered that earnings for 1919 ran more than 28% of that figure. However, the common has been discounting the company's prosperity to some extent in recent months, and it might be well not to bank too heavily on any further advance.

The Future of Silver

Space in this article has permitted an analysis of only two of the four leading silver producers of the United States. Anaconda Copper, producing from its own mines probably more silver than any other company in the country; and Nipissing with its high-grade silver ore yielding the fourth largest production in the United States can only be mentioned in passing. An interesting sidelight on the situation in Nipissing is thrown by local brokers: They point out that, with Canadian money ruling at a discount of 17% in the United States, and Nipissing selling its silver in this country on the basis of New York quotations of, say, around $1.35 an ounce, the company is actually receiving about $1.55 an ounce in Canadian money for its output. The significance of this condition is better realized when it is stated that the largest part of the company's operating expenses are paid in Canadian currency.

Considering the sharp variations silver has gone through in the last five years, it would be unwise to assume that its present level is permanent. Opinion throughout the market so far as we have been able to sound it disagrees as to whether or not the metal will go much higher, but no observers seem to hold the opinion that it is bound materially lower. Silver well above $1 and ounce is generally conceded a practical certainty for 1920 and more than likely for 1921 also.

The big producers, with their well-rounded organizations and the vast sums at their disposal for the exploitation of the silver market, should continue to benefit from high silver prices for a long period. Meanwhile, increasing activity in the copper market is expected and will help swell the earnings of such many-sided producers as American Smelting, U. S. Smelting and Anaconda.

Am. Smelting & Refining, Vol. 25, p. 514; United States Smelting, Vol. 25, p. 343; Anaconda, Vol. 25, p. 50.

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SCENE IN UNITED STATES ASSAY OFFICE

Melting bricks of silver in the smelting furnace to prepare the metal for coinage

International Nickel's Position

Passing of Common Dividends Leaves Company in Good Financial Condition — How Liquidation of Nickel Stocks Has Proceeded—Outlook

INTERNATIONAL Nickel passed through one of the most trying periods in its history during the calendar year of 1919. Earnings for one quarter were perilously close to the vanishing point, and for the entire year were the worst since the consolidation of the new company in 1912. The reason was the sudden coming of the armistice, which left manufacturers in many lines with large stocks of nickel and nickel scrap on hand, without giving the producing company a chance to readjust itself to new conditions from its war-stimulated high production.

To take only one instance, the automobile industry is one of the large users of nickel metal and products. Yet, in spite of the tremendous boom the motor industry has had of late, purchases from the leading producer, (and International Nickel is said to have a virtual natural monopoly of the metal) have been very slight, the motor manufacturers preferring to use up their old stocks. As a result, production at the company's mines has been cut down, at one time to 33⅓ per cent of normal, now to about 50 per cent. The liquidation of the company's stocks has been proceeding at a fairly rapid rate, however, and the results are shown in the company's quarterly balance sheet by a reduction in the inventories carried on hand, with a consequent increase in the cash and accounts receivable items, as shown by the accompanying figures.

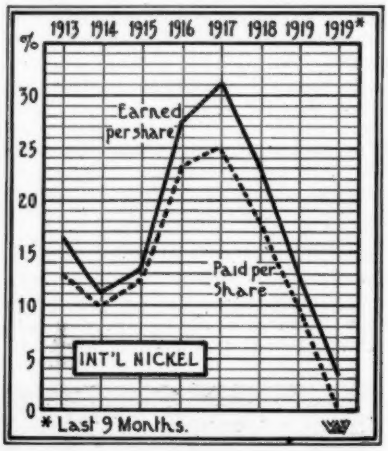
International Nickel's Properties

At Sudbury, Canada, the company is said to have the largest known mass of nickel ore reserves in the world, totaling an estimated 20,000,000 tons, or enough to satisfy the company's requirements at its present rate for some fifty to seventy-five years. This territory amounts to some 3,880 acres, while through the former Canadian Copper Co. the corporation controls 19,615 acres of mineral copper-bearing lands, and undeveloped acreage amounting to 72,840 acres. The ore is found in the form of sulphides, containing some 4 per cent of nickel and 3 per cent of copper.

The company produces in normal times about 35,000,000 pounds of copper and 65,000,000 to 70,000,000 pounds of nickel. Possessing so rich ore deposits the company has what amounts to a natural monopoly on the production of nickel in the Western hemisphere, and there are few other producers who have ore bodies at all comparable. It is believed that the rising prices of silver may result in the substitution, to a larger or smaller extent, of nickel for the precious metal in coinage, in which case a greatly increased field of usefulness for the metal would be opened up. The growth of the automobile industry also promises well for the sustained prosperity of the company, as soon as the unfavorable market situation for its product is disposed of.

The company's copper production, which was formerly counted on to reduce producing costs for its nickel output, is not as profitable now as formerly, but with a better market and possibly rising prices for the red metal, the situation in this respect is expected to improve.

International Nickel owns and operates refineries at Constable Hook, near Bayonne, N. J., and Port Colborne, near the Lake Erie entrance to the Welland Canal, and a large smelter at Copper Cliff, Ontario. Its mines and smelter are supplied with power from the company's own hydro-electric plants.



The company has turned in recent years to the manufacture of "Monel metal," a natural alloy of nickel and copper, for which the character of its ores is well suited. This alloy is said to be of high tensile strength and of unusual weather-resisting properties. The roofs of the Pennsylvania Terminal in New York, and the Chicago & Northwestern station in Chicago, are made of this material, and also the more exposed parts of many of the larger newly-constructed ships. Further expansion in the use of this alloy is believed to have good possibilities, in view of the construction boom and the shortage of big buildings.

Earnings and Dividends

In spite of the poor showing of last year, the company's earnings over a period of years have been decidedly fair, though irregular. The dividend rate has fluctuated, though nominally at a rate of $4 a share, and has for the most part left a small margin. The company has followed the policy of charging to income all deductions for depreciation and mineral exhaustion, without creating a specific reserve, but conservatism in this respect may be surmised from the heavy deductions made within the last few years.

Last March the dividend was cut from the regular $1 quarterly rate to 50 cents, and the following quarter was omitted entirely. The company's policy at the time was to conserve working capital, a step rendered necessary by the lack of business and the declining liquid assets.

For the last three quarters, earnings have been on the up-grade, being respectively 2 cents, 28 and 53 cents, although their total is still disappointingly low. Improvement is expected, however, to be shown in the report for the balance of the fiscal year, ending March 31, 1920, as current business is going along at a fair rate. The company has found itself able to increase the price of nickel, first by 10 cents, later by an added 5 cents a pound, the increasing costs justifying and the increasing demand permitting the advance, especially as prices had scarcely been raised to speak of during the war.

Delayed foreign buying is expected to improve the earnings of Nickel considerably when it gets under way, as Europe, formerly a large customer of the company, has done little buying since the armistice. The double taxation in this country and in Canada, which has cut down earnings, may be expected to decrease within a few years.

Increasing Working Capital

A comparison of the last four quarterly balance sheets issued by the company shows the success of the policy of liquidating the heavy post-war inventories and raising more working capital by their sale. Between March 31, 1919, and December 31, 1919, inventories were reduced from $9,692,421 to $7,890,148, while cash correspondingly rose from $1,941,044 to $3,137,636, and accounts receivable from $836,885 to $1,747,503. Net working capital increased in this period from $9,260,626 to $11,730,648, very nearly the best figure in the history of the company.

Before the adoption of this policy the company had been in poor shape for liquid assets, inventories having been almost 50 per cent higher than ever before, while cash and accounts receivable were running at record low figures, so that the dividend cut was easily predictable.

From the nature of the company's business and its dividend policy in past years little has been done in the way of building up a surplus, though this item has been growing steadily. From March, 1913, to December, 1919, this figure was increased from $4,921,409 to $9,579,146, or over $5 a share of $25 par value.

Finances

The company's capitalization at the present time consists of $8,912,600 of 6 per cent, non-cumulative preferred stock of par value $100, and $41,834,600 of the common, whose par value is $25. It was reduced to the latter figure from $100 in 1916, when $3,801,100 new common stock was issued. The company, as at present constituted, really dates from 1912, when the old International Nickel Co., incorporated in 1902, was consolidated with the Colonial Nickel Co. It owns the Oxford Copper Co., the Societe Miniere Caledonienne, the Anglo-American Iron Co., the Vermilion Mining Co., and the International Nickel Co. of Canada, Ltd., as well as having a controlling interest in the Nickel Corporation, Ltd., of Great Britain.

Interests connected with the company are also said to have taken over a majority interest in the Candelaria Silver Mining Co., of the Tonopah district. This would indicate a desire to diversify the company's mining interests, as nickel tends to replace silver in a number of its uses when silver becomes too dear, as in coinage, and more particularly in electroplating.

The preferred stock is senior as to assets as well as dividends, and shares with the common in a provision which calls for the offer to stockholders of all new stock offered for sale, on a pro rata basis, before subscriptions are opened to the general public.

The preferred, being a small issue, is rather inactive, but a late price for the stock was 88, on which it yields 6.82 per cent, which is fairly low for a non-cumulative stock, and indicates the high opinion of the investment market of its earning power, in spite of temporary difficulties. Indirectly this may be regarded as an indorsement of the earning power of the company.

The common stock is much more speculative, especially now, of course, since it is not paying dividends. The dividend policy of the directors has been generous in the past. Public interest in the stock has been increasing, the number of stockholders as of March 31, 1919, being 16,058, compared with 12,824 the year before, and 9,252 in 1917. The stock is a slow market mover, fluctuating during the whole of 1919 between 34 and 20⅝, near the latter of which levels it is now selling. It scarcely moved a point because of the passing of the dividend in June.

At present prices of about 21 we consider the stock attractive, as it is selling at extremely low figures while its business and financial position are improving.

Which Is the Best Standard Oil Stock?

A Review of the Present Position and Outlook of the Leading Companies

By C. N. LINKROUM

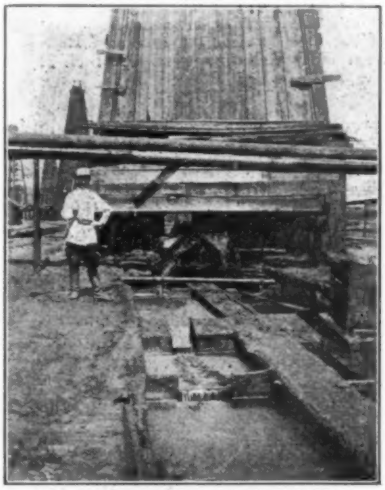
TO determine the leading Standard Oil Company does not require an exhaustive study, but to decide upon the best Standard Oil stock from an investment standpoint necessitates an analysis of the merits of some of the leading companies in relation to the selling prices of their securities.

Standard Oil of New Jersey stands out as the foremost company of this group, just as the United States Steel Corporation heads the steel industry, or General Motors Corporation leads the motor industry. Standard of New Jersey, divested of its former subsidiaries, is still the premier oil company of America and of the world.

From the viewpoint of investment worth, serious consideration must be given to a half dozen other Standard Oil companies. For purposes of comparison, there is shown in the accompanying table a record of the 1918 financial status of seven of these companies in relation to the selling prices of their securities. It is reasonable to assume that the present market prices have to some extent discounted conditions prevailing since 1918, and the 1919 financial statements would undoubtedly make a better showing in comparison with market quotations.

The Atlantic Refining Company's report to the New York Stock Exchange shows that the net earnings for the nine months ended September 30, 1919, after all deductions, including estimated Federal taxes, amounted to $7,865,989, or at the rate of $10,487,985 for the year, as compared with $7,410,000 for the year 1918. The 1919 earnings were at the rate of $209 per annum, against $148 per share for the previous year. As a result of the reinvestment of most of the earnings in the business, the book value of this stock at the end of 1919 should be about $1,400 per share. There is reason to believe that the other companies have made a like improvement in earnings and financial condition within the past year.

Taking the 1918 figures as a basis for comparison, we find that both Atlantic Refining and Prairie Oil & Gas companies made a better showing than Standard of New Jersey in regard to the ratio of



A ROUMANIAN SAND-TANK
The oil from the well is sent through a series of locks to remove the sand

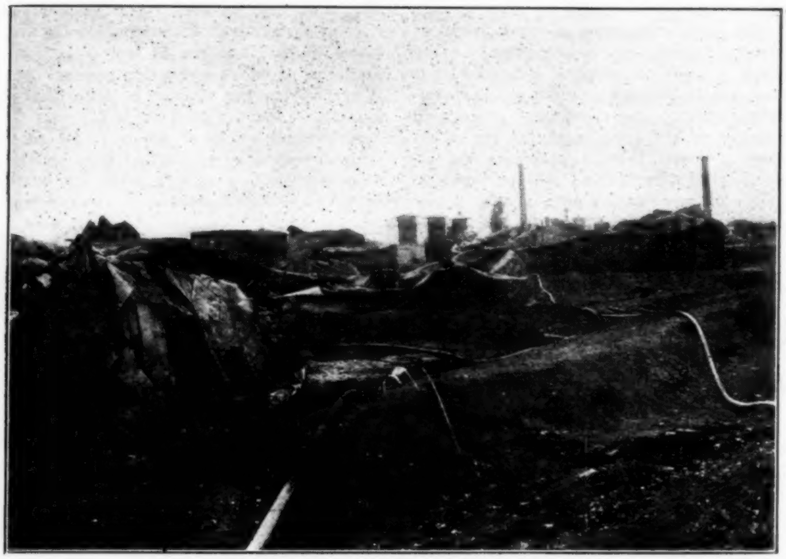
earnings and book value to market value of the stock. We find also that Standard Oil of Indiana and Standard Oil of New York show a larger ratio of earnings, but a smaller percentage of book value. Standard Oil of California shows a much smaller ratio of both earnings and book value than any of the other companies mentioned, but is considered here because of the company's importance in the industry, this company being only second to the New Jersey company in its position in the trade.

Dividends

The fact that certain issues show a better ratio of earnings and assets to selling price does not necessarily make their securities a better investment. Another factor to be considered is the question of dividends, although in the case of the leading Standard Oil stocks this factor might almost be disregarded, the return on nearly all these stocks being comparatively small on the basis of current dividends. Atlantic Refining, for instance, pays $20 a share per annum; Standard of New Jersey pays $20; Standard of Indiana $24, and Vacuum Oil $6; Prairie Oil & Gas is now paying at the rate of $20 a year, and Standard of California pays $10 regularly, with occasional extras.

A more important consideration is the exact nature of the company's business. It may be fairly stated that the stock of a company engaged in all branches of the business on a well-balanced scale, other things being equal, would be preferable from an investment standpoint, to the stock of a company engaged in only one branch of the oil trade. Prairie Oil & Gas Co. confines its operations to the producing business. Under present conditions the substantial producing companies are in an unusually strong position. A real shortage of crude petroleum exists today, and crude prices are steadily mounting to new high levels in order to coax forth increased quantities of oil from the ground. The producer's position was never as favorable as at present, and the indications are that this condition will continue over a considerable period, although there have been times when the producing branch of the business was not so favored, and it is not impossible that conditions may again be reversed.

Another thing to be considered in connection with a producing company is the element of risk attached to prospecting for oil and in regard to the life and stability of oil acreage. The most recent illustration of this has been in the Homer field of Louisiana, where salt water made its appearance, and previous to this in the North Texas fields, where production failed to hold up to anything like the original expectations of the most conservative operators. The big companies are taking bigger risks today than previously because of the widespread development work to create new production. For these reasons Prairie Oil & Gas stock cannot be regarded as desirable as that of a company embracing all phases of the business, although it certainly can be classed as one of the most attractive of the Standard Oil issues at present prices, and seems to have possibilities of selling much higher under present conditions in the oil trade.



THE OIL FIELDS OF ROUMANIA

An interesting picture of what was one of the most prolific producers of Roumania before the war, devastated by retreat of British troops—S. O. of N. J. has large Roumanian oil holdings

Some Leading Companies Considered

ATLANTIC REFINING Co. is now engaged in all branches of the business, and supplies the export as well as the domestic trade. This company has shown a marvelous record of development since the Standard Oil dissolution, and especially since 1914. Its gross sales in 1914 amounted to $32,927,000, and in 1918 had grown to $124,442,000. Until within the last few years, the company confined itself to refining and marketing in Pennsylvania and Delaware. Recently the company has formed producing subsidiaries which are active at present in Kentucky, Texas, Oklahoma, Kansas, Louisiana and Mexico.

Thus far the company's efforts to build up production in the United States have been rather slow in showing results. In Mexico, however, the company apparently has a valuable property through its half ownership of Atlantic Lobos Oil Co. For the purpose of bringing oil from Mexico to its refineries, the company has also built up a fleet, now consisting of seven large tank steamships. In the distributing branch the company has also extended its operations to West Virginia, Connecticut, Rhode Island and Massachusetts.

The Atlantic Refining Company now has refineries at Philadelphia, Franklin and Pittsburgh and has just completed a refinery at Brunswick, Ga. The company's four refineries have a total capacity of 271,000 barrels a day, although this includes the capacity of the pressure stills through which a certain amount of oil previously run through crude stills is rerun and the company's capacity for handling crude oil is considerably less than the above amount.

In 1918 the company reports a total output of 785,000,000 gallons of petroleum products from its three refineries at Philadelphia, Pittsburgh and Franklin, this amounting to about 51,000 barrels a day. The current output of the four plants is, of course, considerably in excess of this amount. The Atlantic Refining Company has an aggressive management and it has been one of the fastest growing of the Standard Oil companies. The stock must certainly be regarded as a conservative investment with big possibilities for appreciation. The company recently issued $20,000,000 of preferred stock at par and this money will be used in the further development of the business. There is now outstanding $5,000,000 of the common stock, but the authorized issue was recently increased to $50,000,000 and if the Supreme Court decides stock dividends to be non-taxable, it is regarded as very likely that the stockholders of this company would receive a large stock distribution. In any event it is likely the company will eventually increase its stock so as to bring down the market quotation.

STANDARD OIL COMPANY OF INDIANA confines itself principally to the refining and marketing of petroleum products, although recently the company acquired one of the leading oil producing companies of the Pine Island Field of Louisiana known as the Dixie Oil Company. This is an indication that the company is looking for opportunities to enter into the producing business, and it may be expected that additional properties will be acquired, although under present conditions the company is dependent practically entirely upon outside sources for oil supply.

The Indiana Company serves probably the best market for petroleum products in the country consisting of 11 states in the rich agricultural region of the Middle West. The company operates three complete refineries at Whiting, Ind., Sugar Creek, Mo., and Alton, Ill., and operates extensive pressure still plants in connection with the Midwest Refining Company at Casper and Greybull, Wyo., and adjoining the Continental Oil Company's plant at Florence, Colo. The president of this company is Dr. W. N. Burton, the inventor of the Burton pressure still which has made it possible for the oil industry to supply the world's motor fuel requirements. The Burton system is used by a number of the big refineries throughout the country, these companies paying a royalty to the Indiana Company for the use of its process.

President Teagle of the Standard Oil Company of New Jersey recently stated that the output of gasoline by the Burton process in 1918 amounted to about 15,000,000 barrels and this will give an indication of how important the use of this system by other companies is to the Indiana Company from a royalty standpoint. Recently the Indiana Company made the statement that its total shipments of gasoline by boat from its one plant at Whiting, Ind., on Lake Michigan in the first 10½ months of 1919 amounted to over 126,000,000 gallons while the total exports of gasoline from the port of New York for the year ended June 30, 1918, amounted to only 87,000,000 gallons. In the year 1918 the company shipped by boat from Whiting over 106,000,000 gallons of gasoline and 36,000,000 gallons of kerosene.

This gives a good idea of the company's important position in the oil trade. The company has already increased its authorized capital stock from $30,000,000, the amount now outstanding, to $100,000,000 and is in a position to make a substantial stock distribution at any time. This stock can also be regarded as a very attractive issue with good possibilities for ultimate enhancement.

THE STANDARD OIL COMPANY OF NEW YORK until recently was interested only in the refining and marketing end of the business and supplied most of its marketing requirements with oil purchased from other companies. The company operates refineries in Brooklyn and Long Island City, New York and at Buffalo which are understood to have a combined capacity of about 25,000 barrels a day. There is now under construction a refinery at Providence, R. I., which, it is stated, will have a capacity of 40,000 barrels. It is believed that this plant will be run principally upon Texas and Mexican crude oil.

The company's domestic marketing territory comprises New York State and New England States where the demand is constantly increasing and this company also takes care of the foreign business in the Far East, where there seems to be no limit to the possibilities for development. To take care of its foreign business the company operates a large fleet of tank ships which now consists of eight vessels and three other tankers have just been ordered.

About a year ago the company acquired

45 per cent. interest in the Magnolia Petroleum Company controlling extensive producing properties and refineries in Oklahoma and Texas and this places the company in a much better position from the standpoint of being assured of a steady supply of crude oil and petroleum products.

The New York Company now has a capitalization of $75,000,000. At the end of 1918 its surplus amounted to $110,-000,000, of which $94,000,000 was represented in cash, Liberty Bonds and other current assets and $65,00,000 in merchandise. From this it will be seen that the company could easily readjust its capitalization to a much higher figure at any time.

This stock is also entitled to be considered as one of the most desirable investment issues in the Standard Oil Group with very favorable prospects for a future increase in value.

Vacuum Oil Company is the world's best known lubricating oil company. The company started to do business in 1866 and has steadily extended its operations since that time to every country in the world, confining itself almost entirely to the manufacture of high grade lubricating oils and making other products only incidental to this business. The company operates refineries and compounding plants in this country at Rochester and Olean, N. Y., and Bayonne, N. J., and is now operating its largest plant at Paulsboro, N. J., on the Delaware River. The company operates five vessels to carry its products abroad.

The Vacuum Company is not interested in the producing business and to this extent its position cannot be regarded as favorable as the companies embracing all branches of the business, but it is the present practice among the manufacturers of high grade lubricating oils to base their prices entirely on the market for crude oil, the price of the lubricating oil advancing or declining automatically with an increase or reduction in crude prices so that these companies are not in the same position as a refinery manufacturing principally gasoline which might not advance in proportion to the increased cost of raw material.

Vacuum Oil Company prior to the war operated two plants in Austria-Hungary, but the present status of these plants is unknown. The company now has a capital stock of $15.000,000 and at the end of 1918 its surplus was $43,500,000. The company's business has been considerably affected by war conditions in the past several years and in 1918 the company deducted over $5,000,000 against profit and loss to cover losses on investments in Russia and amortization of plant equipment installed since 1917. While the company's business has been disturbed in certain territories, nevertheless its earnings have continued to increase and its prospects over a period of years look very favorable. The chances for a stock distribution give this issue big speculative possibilities.

Standard Oil Company of California is in a different position than the other companies mentioned, as the Rocky Mountains seem to act as a dividing line between the oil industry of the Pacific Coast and that east of the Rocky Mountains. The California Company today has a refining capacity of over 100,000 barrels a day from its three refineries. In 1918 the company's daily average production from its own wells was about 57,000 barrels and its pipe line runs to its refineries totalled 106,000 barrels a day. Last year the company increased its crude oil production about 3,000,000 barrels, and it is believed the company's present crude oil production is close to 70,000 barrels a day, which is larger than that of any other company in the country, although most of the California oil is not of as high a grade as that produced in most other fields.

The California Company operates an extensive fleet of tankers consisting of about 15 vessels in addition to its large barges and case oil vessels. Besides supplying the extensive requirements of the Pacific Coast, this company sends a large part of its output to the Far East, turning it over to the Standard Oil Company of New York, which takes care of the marketing in that territory. The California Company also markets its products in Central and South America and as far north as Alaska.

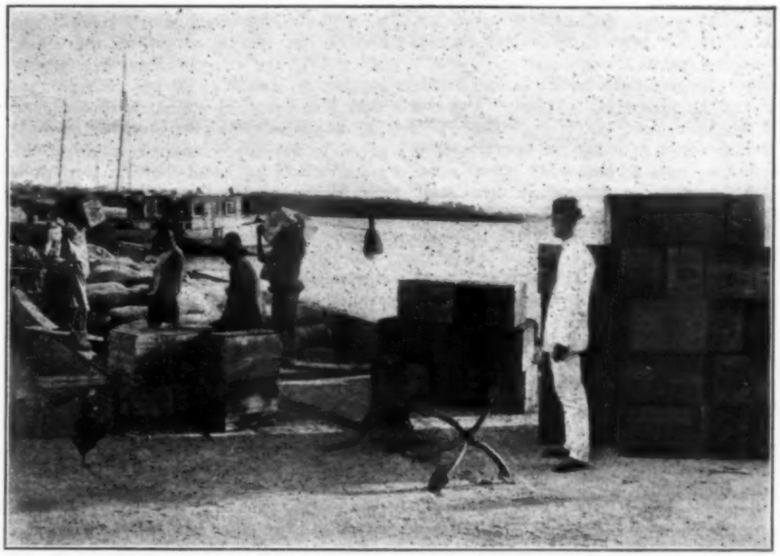
The company is one of the most aggressive of the Standard Oil Group and seems to have excellent prospects for further development. In deciding upon the investment merit of the stock, however, it must be considered that this company has been very liberal with its stockholders since the dissolution and that it now has a capitalization of approximately $100.000,000, while at the end of 1918 its surplus amounted to about $18,000,000. It does not seem likely that stockholders will receive further stock distributions for some time to come, but the company is paying cash dividends of 10 per cent. per annum with occasional extra disbursements, its total dividends in 1919 amounting to 13½ per cent.

Standard Oil Company of New Jersey common stock, looking at the situation from all angles, seems to be entitled to first place from an investment standpoint in the Standard Oil Group. Besides the financial condition of the company we must consider the wide extent of the company's operations, the reputation of the company throughout the world and the ready marketability of its stock which is evident from the favorable market enjoyed by its recently issued $100,000,000 preferred stock.

The New Jersey company is heavily interested in all branches of the business and has the largest refining capacity of any company in the world. The refineries directly operated by the company in this country are located at Bayonne and Bayway, N. J., Baltimore, Md., and Parkersburg, W. Va., and the company is now building a large new plant at Charleston, S. C., through the Standard Oil Company of Louisiana which operates an extensive plant at Baton Rouge, La., and through the Carter Oil Company a big plant at Yale, Okla. In Texas the company is interested in a large refinery near Houston, which is now being built by the Humble Oil and Refining Company which it controls. The company also controls a chain of refineries operated by Imperial Oil, Ltd., in Canada, a plant at Talara, Peru, operated by International Petroleum Company, another plant in Mexico and a refinery in Roumania. When present extensions are completed before the end of this year, the company will have a refining capacity to run 300,000 barrels of crude oil a day.

The company's domestic marketing business covers one-half dozen states and the bulk of its marketing is done in foreign countries. In Canada the company's subsidiary Imperial Oil, Ltd., controls nearly all the business.

The company also does an extensive marketing business in South America and in the various European countries. It



STANDARD OIL IN SOUTH AMERICA

The refined product packed for shipment in the Dutch Guiana oil properties of the Standard Oil Co. of New Jersey

seems probable that a large part of the money recently raised through the issuance of preferred stock will be used in extending credits to Europe which will give the company a firmer foothold on that business than it has ever held. To take care of foreign business and to bring in crude oil from Mexico, the company operates a fleet of 45 tank steamers of 450,000 tons dead weight, the largest merchant ship flying the American flag, and with 17 additional steamers of about 225,000 tons contracted for for delivery during the next 14 months.

As a result of the growing oil requirements and the inability to obtain sufficient crude oil in this country to supply the demand, the company has in the last few years become heavily interested in the producing end of the business.

Its producing subsidiaries in this country are the Carter Oil Company and the Standard Oil Company of Louisiana. The latter company confines its operations to Louisiana fields where it has recently developed a large supply, while the Carter Oil Company is operating all over the country, and another subsidiary operates in the Mexican fields.

The figures on the company's present crude production are not available, but President Teagle recently stated that in 1919 the crude oil production by the company's subsidiaries showed an increase of more than 100 per cent over the production of the previous year.

In order to increase its production, the company is now devoting special attention to foreign developments and is understood to have recently closed negotiations for control of the Tropical Oil Company operating probably the most valuable property in Colombia, South America. It is understood that this company is to be taken over by the International Petroleum Company which now operates in the Peruvian fields and also controls properties in Ecuador. It is believed the company plans to make large expenditures and development of its South American property and before the end of the year it is likely considerable oil will be coming from the Colombian fields to the New Jersey company's refineries.

The New Jersey company is in a very strong financial condition. The balance sheet of December 31, 1918, showed a surplus of $463,712,409 and a capitalization of $98,338,300. Since then an equal amount of preferred stock has been issued at par. If the company carried its assets at their current value its statement would show a very much larger surplus.

For instance, its properties are carried at cost less depreciaton and its "Stocks in other companies" are carried greatly below their present value. In the case of Imperial Oil the company owns 80 per cent. of the stock and this ownership at present quotations has a value of $130,000,000 whereas the New Jersey Company places a valuation of only $93,452,369 on all its "stocks in other companies."

While the return on the stock on the basis of current dividends is small, consideration must be given to the compounding of earnings which steadily enhances the market value of the stock. Since 1912 the company has been paying regular dividends of 20 per cent per annum but has paid an extra dividend of $40 a share and when consideration is given to the appreciation in value of the stock, it will be found that the total dividends and market increment during the past eight years has been equivalent to 15 per cent per annum on the stock.

There is every reason to believe that the next eight years should be just as profitable for the stockholders.

COMPARATIVE FINANCIAL CONDITION OF LEADING STANDARD OIL COMPANIES.

Company	Capital Stock	1918 Earnings	Per Share Earnings	Div. Rate	Book Val. Com. Stock End 1918	Com. Stock Quotation
Atlantic Ref.........	$5,000,000 Com. 20,000,000 Pfd.	$6,409,290	$148	$20	$1,232	$1,350
Prairie Oil and Gas.....	18,000,000	20,299,983	113	20	491	600
S. O. California	99,373,310	14,953,074	15	13½	118	300
S. O. Indiana	30,000,000	23,263,877	78	24	392	700
S. O. New Jersey.....	98,338,300 Com. 98,338,300 Pfd.	57,283,784	58	20	571	700
S. O. New York........	75,000,000	28,642,387	38	16	241	400
Vacuum	15,000,000	4,911,851	33	8	390	400

NOTE—The above statistics are used to show the comparative merits of the securities, and not for the purpose of determining the present market value of any particular issue. Most of these companies will probably show a large addition to earnings and book value for 1919. This is indicated by Atlantic Refining Company's report for the first nine months of 1919 showing earnings, after taxes, of $7,865,969, or $157 per share.

UNION OIL OF DELAWARE

With reference to the article appearing in our December 13, 1919, issue, Mr. A. W. Coote, Stock and Bond Broker of Los Angeles, Cal., makes a friendly criticism for which we are indebted. We also gladly acknowledge and indorse the following:

"My understanding of the situation is that Union of Delaware owns about 122,000 shares of Union Oil of California, of a total capitalization of 500,000 shares, all issued.

"Union of California, although conservatively capitalized, is one of the major American oil companies in point of financial strength, production, refining and transportation facilities and control of oil lands.

"Probably in time, Union of Delaware will acquire control of Union of California. In the meantime, it occurs to me, as a close student of Union Oil for the last six or eight years, that to designate Union of California as a subsidiary of Union of Delaware, is to endeavor to make it appear that the tail wags the dog."

The situation is substantially as stated by Mr. Coote above. The relationship of the two companies is very close, and while we are informed that the Delaware corporation at present owns about 25 per cent of the California corporation, there is no knowing what further stock the former may buy later on. We believe the Delaware corporation is interested in purchasing further stock when the price and time is propitious.

It is worth mentioning that when Union of Delaware took over the Commonwealth Petroleum Corporation, the latter had at least 37,500 shares of Union of California (Andrew Weir holdings) in its treasury. These were purchased for $8,250,000 or about $160 a share. B. L. GOODRICH.

OKLAHOMA PRODUCING & REFINING CORPORATION

A Brief Explanation of the Features of the Readjustment Plan—Ohio Cities Gas Does Not Yet Control the Corporation

SINCE announcement was made of the entrance of the Ohio Cities Gas Company into the affairs of the old Oklahoma Producing and Refining Co., many incorrect versions have been published of the consequent readjustment of the Oklahoma company's financial structure.

In view of the number of corporate titles involved and mentioned in this readjustment, the confusion that has resulted is not surprising. To understand just what changes did take place, how they affected the Oklahoma Producing & Refining Co., the Ohio Cities Gas Co., and the stockholders in both, it is necessary to carefully distinguish between these various titles. Two of them differ only in the words Corporation and Company.

Here, very briefly, are the actual facts of the readjustment:

The Oklahoma Producing & Refining Co., whose shares used to sell on the New York Stock Exchange around 9, was a holding company. It owned a majority of the stock of the Oklahoma Producing & Refining Corporation of America, as well as a majority of the stock of the Union des Petroles.

The Oklahoma Producing & Refining Corporation of America was the operating unit. The Union des Petroles, a French concern, was a sort of secondary holding company, whose chief assets consisted in its shareholdings in the operating unit (the Oklahoma Producing & Refining Corporation of America).

Recently it was deemed advisable by the management of this three-cornered combination to dispose of the holding company structure, chiefly as being an unnecessary expense. In pursuance of this policy, the following action was taken:

The shareholdings of the Union des Petroles, owned by the Oklahoma Producing & Refining Co., were sold to the Ohio Cities Gas Co. Proceeds of the sale were distributed to stockholders of the original company (the Oklahoma Producing Co.) in the form of a cash dividend of $2.30 a share.

The Oklahoma Producing & Refining Corporation of America was then capital-

(*Continued on page 658.*)

Salt Water Reduces Fuel Oil Supply

Some Famous Gushers Gone to Salt Water—Tepetate-Casiano the Second Big Field Injured—Status of Companies Affected—Repeal of Carranza Anti-Drilling Edict

A SHORTAGE of Mexican oil has been looming up as a possibility for some months, and until President Carranza announced his intention of permitting the resumption of drilling pending the passage of petroleum legislation, appeared to be almost certain. The attitude of the American oil industry toward the Mexican oil fields has changed radically since last summer.

At that time there was a surplus of fuel oil in this country, and as most of the production of the big Mexican wells is in the heavier grades of oil, relatively rich in fuel oil, there was danger of overproduction and the Gulf producers were even considering asking for a high duty on the importation of Mexican oil. The present situation is entirely different. Instead of a surplus we find a shortage of fuel oil, at least in the sense that deliveries are being made from stocks, and recent rapid advances in the price of Gulf crude have shown the existence of an intense underlying demand that will make the Mexican supplies rather a welcome addition than an undesirable competition.

So the news that another big Mexican field, the Tepetate-Casiano, appears to have gone to salt water to the extent that most of its wells have to be shut down, comes as a distinct blow to the oil industry. Toward the end of 1918 the Potrero de Llano field, in which Mexican Eagle especially held a good deal of acreage, went to salt water, being the first big field to be spoiled in this way.

At the present time, of nineteen former large producers in the Tepetate-Casiano field, only five are left producing, and these are working under back-pressure, being pinched in to decrease the proportion of salt water coming over. It is interesting to notice that the Huasteca Petroleum Co., Mexican Petroleum's operating subsidiary in this district, which discovered this field, has not a single well now flowing.

SALT WATER IN MEXICAN FIELDS

(Condensed from the Oil Trade Journal)

Tepetate-Casiano Field

Company	Daily Potential Production (Bbls.)	Present Status*	Remarks
El Aguila, S. A. (Mexican Eagle)	50,000	S. W. but now 10,000 bbls. clean oil	Showed S. W. Dec. 1919
El Aguila, S. A. (Mexican Eagle)	20,000	Producing	Awaiting pipe line
Agwi (Atlantic Gulf)	28,000 to 50,000	Shut Down	Never opened for commercial production
Atlantic Lobos Oil (Cortez Oil)	4,000 to 5,000	S. W. Shut Down	S. W. Feb. 21, 1919. First well in field to show S. W.
Atlantic Lobos Oil (Cortez Oil)	1,000	S. W. Shut Down	S. W. April 9, 1919
Atlantic Lobos Oil (Cortez Oil)	35,000 to 50,000	S. W. Shut Down	S. W. May 17, 1919; wholly S. W. July 1, 1919
Huesteca Pet. Co. (Mexican Pet)	10,000 to 15,000	S. W. Shut Down	S. W. December, 1919
Huesteca Pet. Co. (Mexican Pet)	35,000 to 40,000	S. W. Shut Down	S. W. Dec. 1919; produced 75,000,000 bbls.
Huesteca Pet. Co. (Mexican Pet)	15,000	S. W. Shut Down	Not used as producer
Island Oil & Transp. (Metropolitan Pet)	50,000	S. W. Shut Down	S. W. Mar. 27, 1919
Island Oil & Transp. (Ontontepec Pet)	50,000	Producing 23,000 bbls.	S. W. not yet shown
Mexican Gulf Oil Co. (Gulf Oil Corp.)	30,000 to 50,000	S. W. Shut Down	S. W. July, 1919
Mexican Gulf Oil Co. (Gulf Oil Corp.)	12,000	Shut Down; hole in bad shape	
Mexican Gulf Oil Co. (Gulf Oil Corp.)	40,000	S. W. Shut Down	S. W. Sept., 1919
Mexican Gulf-Continental Mex	50,000	S. W. Shut Down	S. W. Oct., 1919
Texas Co. of Mexico	50,000	S. W. but now 3,000 bbls. clean oil	S. W. Sept., 1919
Texas Co. of Mexico	4,000 to 8,000	S. W. Shut Down	S. W. Oct., 1919
Texas Co. of Mexico	10,000 to 20,000	Producing 9,500 bbls. clean oil	S. W. not yet shown
Cia. Transcontinental de Pet	50,000 to 60,000	S. W. but now 10,000 bbls. clean oil	S. W. Dec., 1919

Naranjos Field

Company	Daily Potential Production (Bbls.)	Present Status*	Remarks
El Aguila, S. A. (Mexican Eagle)	40,000	Producer	Discovery well. Not being used
El Aguila, S. A. (Mexican Eagle)	30,000 to 50,000	Producing 3,000 bbls.	
El Aguila, S. A. (Mexican Eagle)	50,000	Producing 10,000 bbls.	
El Aguila, S. A. (Mexican Eagle)	90,000	Producer	Not being used
El Aguila, S. A. (Mexican Eagle)	1,100 to 2,000	Producer	Not being used
El Aguila, S. A. (Mexican Eagle)	50,000	Producing 27,000 bbls.	
Agwi (Atlantic Gulf)	75,000	Producer	Awaiting pipe line
Agwi (Atlantic Gulf)	60,000	Producer	Awaiting pipe line
Mexican Gulf Oil Co	20,000	Producing 15,000 bbls.	
Mexican Gulf-Continental Mex	40,000 to 50,000	Shut Down by Gov't.	Drilled without permit
Seaboard Mexican (International)	40,000	Producing 20,000 bbls.	
Texas Co. of Mexico	20,000 to 30,000	Shut Down by Gov't.	Drilled without permit
Cia. Transcontinental de Petroleo	25,000 to 35,000	S. W. but now 10,000 bbls. clean oil	Edge well and deepest in field

*S. W. abbreviation for salt water.

The trouble in this field started last February, when Atlantic Lobos was forced to shut down a well because of salt water. Since that time the great Casiano No. 7 of Mexico Petroleum, which is said to have made over 75,000,000 barrels of oil since its discovery in 1910, has had o be closed down.

The wells still flowing belong to Mexican Eagle, Island Oil, Transcontinental, and two to Texas Co. of Mexico. The Naranjos field, slightly to the south of the Tepetate-Casiano, is practically unaffected by salt water, except for one well of Trancontinental's, which has shown salt water but is still producing clean oil.

The situation was complicated by the order of President Carranza restraining American oil companies from drilling new wells, which hit especially hard some producers who had uncompleted or offset wells to drill. The Mexican Eagle Co., or El Aguila, S. A., has not been interfered with in its operations, because it has been able to obtain special temporary drilling permits which the Mexican government has refused to issue to American companies. It has, however, announced its support of the American concerns in their stand against the official Mexican attitude in regard to oil. It has, therefore, been able to do considerable wildcatting and proving, thus making up to some extent for the invasion of its Tepetate wells by salt water.

The gravity of the situation promises to be lessened by the new Mexican policy toward the American oil companies, which will permit them all to do more wildcatting and may result in the opening up of new oil fields, as well as the further development of the older ones. That there is an impending shortage of fuel oil was shown by the lack of response to the recent call of the Navy Department for bids for its fuel oil requirements, which resulted in only one bid, by Mexican Petroleum, and that an unsatisfactory one.

The figures of Mexican exports of crude oil to this country show a steady increase, indicating that more and more we have to seek sources of supply outside of the United States, and the failure of a large producing area such as the Tepetate-Casiano at a time when demand is so keen has worked a real hardship. In some cases Mexican producers have had to buy crude oil from the Gulf coast to fill their contracts with refiners, and this in the face of steadily mounting quotations for the Gulf oil, in sympathy with the Eastern oils.

The adoption of a more liberal petroleum policy by the Mexican government, for the time being at least, is expected to do something to relieve the growing shortage, but its effects will probably not be witnessed for at least two or three months. It is likely that Mexican producers will be encouraged to abandon their recent policy of not making new contracts, however, as they have been compelled to do of late. Proven and producing territory now left is in three districts, the Alamo field, the Naranjos district, southwest of the Tepetate, and the Cerro Azul, twenty miles southwest and notable for the great Cerro Azul No. 4 of Mexican Petroleum, which came in at 261,000 barrels a day. Oil development for the immediate future in Mexico, in view of the pressing shortage of fuel oil, will probably concern itself with the more thorough exploitation of these three districts.

Why Many Oil Companies Fail

The Four Points of a Successful Company—Safeguards the Investor Should Not Ignore

By **J. GRANT**

THERE are three well defined branches of the oil industry—producing, refining and marketing. The average investor is not invited to invest money in companies that refine and market oil, the reason being that the amount of money necessary to finance propositions of this sort cannot generally be raised by public stock selling campanign. Companies operating in these branches of the industry are usually the outgrowth and development of early pioneering and the accumulation of vast capital.

What the average investor is invited to participate in—and that on an ever increasing scale—is the financing of companies formed for the purpose of producing oil. Millions of dollars of the public's money goes into this branch of the oil industry each year, and the amount of securities sold by "oil-producing" companies is probably greater in volume than that of any other industry.

It is the purpose of this article to analyse the conditions which affect an oil producer and to clarify, if possible, the features in the organization of an oil-producing company which the investor should insist upon before backing the company with his hard-earned funds.

Four Factors in Production

There are four main factors, all of them closely allied, upon which the success of an oil company depends. They are capitalization, holdings, earning capacity and personnel. The capitalization should be ample, but not inflated; the holdings capable of extensive development; the earning capacity should be brought out and maintained and the personnel, the men of the organization, experienced in the oil producing business.

The chief reason for most failures in the oil industry is the tendency of companies to over-capitalize their assets. Worse than that, especially in the case of cheap promotions, is the abuse of "promotion commissions." Time and again, the biggest proportion of the money realized from the sale of a company's stock goes into the pockets of the backers instead of into the development of the company and its properties.

The question of adequate, but not inflated capitalization is so closely connected with the earning power of a company that only by a close scrutiny of the latter can it be determined whether or not a given capitalization is excessive. This earning power, of course, is based upon the amounts of oil which the company is capable of producing. And it is in deciding what the production powers of new and unseasoned oil company may be that the first, and possibly the most disastrous, error is made by the great body of our investors.

The tendency to incorrectly gauge the probable future output of an oil producing company is encouraged by the practice of which many producers are guilty of estimating their capacity for oil production on the basis of the "flush," or initial, production. They give the public to understand that, because their production begins at such and such a rate, their future production will continue to be at that rate. They state that their wells are producing, say, 5,000 barrels of oil daily, yielding an income of so much per barrel, and then calmly proceed to estimate the earning power of their company well into the future on the basis of these initial production figures.

This procedure is misleading from the start; and long experience in the oil producing business condemns it. As a matter of fact, no oil well maintains its initial flow for long. It produces less and less each day from the time it is brought in until finally it has reached a point where the flow stabilizes. The rate of production decline of a well from its initial flow varies, of course, with different fields. At the same time, it always does decline, and that rapidly. In the Burkburnett field, for example, wells which last August were producing 4,000 barrels daily are now producing less than 50 barrels per well and are still getting smaller. Moreover, it is very probable that production at these wells will continue to decline to as low as 5 barrels a day, and that within the next six months. With a flow of 5 barrels a day, these Burkburnett wells will probably have reached a stable production which will continue indefinitely, just as in the Pennsylvania fields there are some wells which have been producing from 3 to 5 barrels of oil a day for the last twenty years.

The basis upon which the production and earnings of an oil company should be estimated is its settled production—the production which its wells settle into after the first few days of heavy flow. For a company to be conservative—we might even go further and say that, for a company to be successful—estimates of earnings should be made entirely on the basis of this settled production, and these earnings ought to be sufficient to meet the dividend charges on the company's capitalization. Accordingly, the capitalization of an oil producing company should not be much in excess of the amount upon which the income from settled production will be sufficient to pay dividends.

Earnings accruing from the flush production of an oil producing company should be set aside as surplus for the further development of the property and in acquiring and developing new acreage. Only by the strict observance of this rule can a new producer hope to succeed.

Few companies of the present day stick to this policy. In the cases of the great majority, capitalization is so excessive as to absorb all the good earnings of this flush production. Naturally, this practice leads to ruin in the long run.

Still more suicidal is the policy of pyramiding capitalization on the basis of this flush production. Upon bringing in a new well which flows, perhaps, thousands of barrels a day, companies sometimes issue as many new shares of stock and sell them to the public as fairly backed by the newest "find." They make no allowance for the inevitable decline which is bound to set in in the production from this well; and when this decline finally occurs, or production becomes settled, the stock issue is bereft of its only support and its chances for dividends are reduced to nil.

Analysis of a Company's Holdings

The property holdings of an oil company should be analyzed not only with reference to their producing properties but as well with reference to their semi-proven and "wildcat" territory. It should have sufficient semi-proven and proven territory to assure, by aggressive drilling and development work, the maintenance of earnings applicable to dividends and surplus.

Investors should not make the mistake of placing too much confidence in a company merely because its sponsors claim that its properties are located near proven territory. Many oil companies have been formed and capitalized on the basis of owning land in the vicinity of large producers when, as a matter of fact, the chief value of their properties is restricted by the Real Estate market. This has been especially true of companies recently organized in Texas and Louisana, where large acreages have been represented to the public as containing enormous potentialities. As a matter of fact, in many cases these holdings are as far away from proven oil fields as Chicago is from New York. The possibility that oil may be found on them always exists, but in most cases it is a very remote possibility.

This discussion of misleading "propaganda" with regard to the holdings and potentialities of a new oil producer brings us to the one big factor essential to the success of any business, and particularly the oil business: That factor is the personnel—the character and calibre of the men behind it.

Oil producing, perhaps more than any other industry, requires the services of unusal business men, equipped with imagination and foresight, capable of minutely analyzing the trend of the industry and the development of new fields. Upon their representation, or misrepresentation, of a new property must depend the fate of the thousands who put money into their organizations. This patently, is a trust which only industrial leaders of the highest type may be fairly expected to discharge honestly and well.

Investors are beginning to realize the importance of knowing the men behind, and a number of our more recent business organizations are catering to this new requirement by loudly featuring the names of their sponsors. It is quite as easy to go too far as it is to go not far enough, however; the mere fact that the names of the men behind a new oil company are divulged with the most charming frankness is no proof of their ability or their integrity.

The investor must investigate for himself, through such channels as are open to him, and base his judgment of the backers of a new oil company not upon the claim made by showy circulars and promotion literature, but by the actual performances and business records of these men in the past. To all intents and purposes, he is lending them money—it is only common sense for him to investigate their credit.

When the investor has analyzed the foregoing features of a company's organization—its capitalization with relation to assets, its holdings, its settled earning power and its personnel—he is in a position to go a step further and judge of the speculative possibilities of the company. If he has taken each step cautiously and analyzed each of the four factors thoroughly he has, at least, safeguarded himself so far as it is possible for an outsider to do against financial loss.

New Developments in Tex. & Pac. Coal & Oil

HAS the Texas Pacific Coal & Oil Company, the discoverer of the big oil pools in Eastland, Stephens, Palo Pinto and other North Central Texas counties, opened up another new oil pool?

A GUSHER COMING IN

One of the many new wells in the prolific north Texas fields, where numerous big oil pools have been discovered

THE MAGAZINE OF WALL STREET learns upon the best of authority that such may be the case. It is understood in oil circles that the newest discovery of the company, a 40,000,000 cubic foot wet gas well, located six miles east of Thurber, in Erath county, Texas, is looked upon as the signal for extensive drilling in that vicinity for oil, as it is usually an indication that the discovery of a gas well of this enormous flow has led to the finding of an important oil pool in the near vicinity.

This new gasser is fourteen miles distant from oil wells in Palo Pinto county. It is twenty-five miles east of Ranger. The find was made by the Texas Pacific Coal & Oil drilling on its Garner lease. The pay sands were found at a depth of 3000 feet.

It is just a mile from this well to the line of the company's fee lands, which form in the aggregate 70,000 acres, and which are for the most part contiguous. Should a new oil pool be found in this vicinity, the company's fee holdings will unquestionably attract the values that attached to important Ranger tracts when that field came in.

Oil men recall that when the company started to test the Ranger field by drilling four wells, that the first well came in as a gas producer. The second well was spudded in a mile away, and this opened up the first oil from the Ranger sands. The question is, will history repeat itself in this instance?

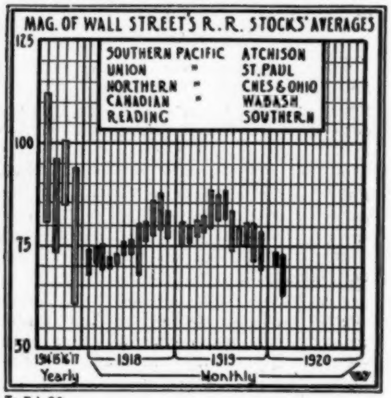
Trade Tendencies

Prospects in Leading Industries as Seen by Our Trade Observer

Railroads

Railroad Act Passed

As we write, the Esch-Cummins Railroad Bill has passed both houses of Congress and received the President's signature. It is known that at least one powerful interest, the labor groups, was opposed to the bill because of its alleged unfairness to labor. The



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more prosperous roads, which may be adversely affected by the clause on the limitation of earnings, are not expected to attack the bill on this ground for some time, as they would have to show definite damage, which could only be shown by the presentation of the road's accounts for some time after the operation of the bill.

With their return to private ownership, the railroads will have many serious operating problems to face, though some of their financial difficulties may be postponed for a time by reason of the Government guarantee. Among them is the question of deferred maintenance, which according to one recent estimate will require expenditures of $170,000,000 a year. To some extent these extra maintenance requirements are due to the transfer of heavy equipment to roads made to handle lighter traffic, or other dislocations of normal railroad operations.

Car Shortage a Problem

For the present the volume of traffic is running high, much more so than usual at this time of year. The traffic handled would be considerably greater if there were sufficient equipment to take care of it, as it is known that there is an increasing shortage in this respect. Some of the railroads have taken steps to overcome it by ordering cars and locomotives even in advance of their return to private hands.

The attitude of some railroad men, however, is that in the event of any slump in the general activity of business, the existing equipment would be enough, perhaps more than enough, to take care of transportation needs, and any additional expenditures for equipment would then be wasted. There would therefore appear to be a difference in the attitude of railroad men as to the business prospects of the country for the near future. The group that believes in a fairly prolonged continuance of prosperity is going ahead and building equipment to satisfy its needs; the other group does not think the present rate of activity will be maintained long enough to make it worth while providing equipment for it.

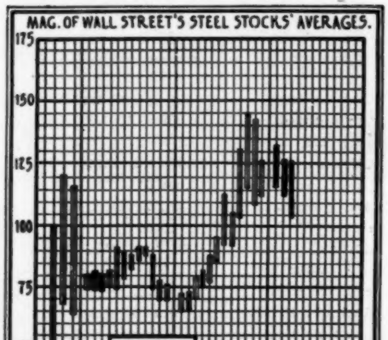
As to the attitude of labor, opinions are divided. It is known that a certain amount of discontent exists, partly based on labor provisions of the railroad bill, partly on the failure of the Plumb plan to make progress, and to some extent because of dissatisfaction in some groups with the current scale of wages. A short time ago there was even talk of a strike, though this sentiment has died out of late. In any case, this element has to be reckoned with by the roads more than heretofore, especially should working conditions be changed upon the return of the roads from Federal operation.

Generally speaking, the railroads expect greater prosperity, and rate increases in a good many cases. It is also felt that their future will be more or less stabilized now that the needs of the roads have been placed before the public and their representatives so prominently.

Steel

Congestion of Orders Continues

The situation in the steel industry has not changed materially of late, except that the shortage has been growing more and more intense, and that orders are being taken more extensively than before



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for second half delivery. The difficulty is, however, that most buyers want prompt delivery, and are willing to pay unusual premiums to get it.

Particularly is this true of a good deal of the recent buying of structural steel, both for building construction and railroad bridge building. Railroad buying is coming into great prominence, as firm orders have already been placed for hundreds of cars and a large number of locomotives, even in advance of the definite return to private ownership. To what extent these orders can be filled soon is a great question, as the supply of spot steel available is very small. Consumers have been using up their stocks at a great rate, not in the hope of a coming drop in steel prices but because they simply could not get steel for immediate consumption in any other way.

It is noticeable that this condition of congestion of orders is practically universal throughout all branches of the steel industry. Such diverse lines as tinplate, wire bars, plates, billets and slabs are all in active demand and short supply. Car shortage is becoming an acute problem of the first magnitude, and apparently the railroads' attitude will be to relieve the situation by building more cars, though this may cause for the time being an additional drain on the steel resources of the country.

Some lines of steel-consuming industry have reached the point where they are actually being held up by inability to receive new steel supplies. This is threatening to be the case in the building industry, where large contracts are known to be pending.

Coke and ore deliveries are proportionately not so bad for the time being as shipments of finished products. Prices of ore at the beginning of the Superior ore market showed an increase, which may be added to the rising price of pig iron. Production in the latter is running at a high rate, assisted somewhat by fairly open weather which has been permitting deliveries of the raw materials.

Throughout the steel industry production problems are being solved more successfully than for a long time past, and in consequence output is running at almost 85 % of capacity. Labor difficulties for the time being are out of the way, especially since the wage increase awarded by the leading interest, and transportation is now the problem of main concern.

Prices have been moved upward in practically all lines, many producers asserting that they cannot afford to absorb wage increases without passing them on to the price of the finished product as the Steel Corporation is doing. Rising prices of pig iron have provoked considerable discussion and difference of opinion, some holding that prices cannot be increased any further without cutting down the market, while others believe that the demand is active enough to sustain further advances.

Export Outlook

Naturally, in view of the tremendous domestic activity and the inability of producers to satisfy the country's own needs, steel exports have been tending downward. Foreign buying has been most active from non-European countries, where a huge latent demand has been uncovered. Foreign buyers have had great difficulty, however, in placing orders even at the most liberal terms of delivery. One agent could not place an order calling for a medium-sized tonnage of miscellaneous steel products, though he promised to accept delivery any time in 1920.

This would indicate that the market has been sold out more thoroughly than many people think. Its significance is that a great potential back-log of unfilled orders is being piled up in South America and the Far East, which may serve as valuable business insurance should there be a slump in the domestic demand for steel products for any reason. The importance of this is increased by the fact that the steel industry is now one of the few which is so active as to present the possibility of overextension and the need of finding outlet markets for a surplus which may in time develop.

For the more immediate future, however, the main concern of the industry will be with problems of production and transportation, particularly the latter, as domestic demand is insistent. Great activity with possible price advances are indicated for some time ahead.

Cotton

Growing Conservatism

The tendency in the textile trades of late has been towards greater cautiousness in the making of contracts, particularly for future delivery. The possibility of a period of deflation in dry goods is being seriously entertained, and the pressing spot demand for cotton and cotton goods is not considered in itself a reliable indicator of what the trade will do for the rest of the year.

For the time being spot contracts are still fairly active, but many dealers believe that the peak of prices has been reached and will not stock up with large inventories at present prices. Many plants are short of goods to work on, however, and this demand has kept up the price of spot cotton.

The decline in exchange, particularly of the pound sterling, has tended to make the possibility of a heavy decline in cotton exports loom up seriously, together with its accompanying drop in prices of cotton products. Together with this is the talk of a larger cotton crop next year which will make it imperative to get rid of as much of the old cotton as possible. It is believed that a larger acreage will be devoted to cotton next year than this. The success of the plan of voluntary reduction of acreage adopted at the last planting has been questioned, as many cotton men say that the farmer could have obtained as good a price for his crop if he had grown more, and so would have made more money.

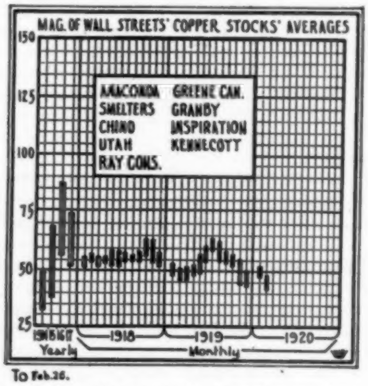
On the other hand, one reason for the small supply of spot cotton, especially of the better grades, is the increasing activity of the tire industry, which has used up large quantities of the long-staple cotton which has been so much in demand this year. This activity is expected to be maintained for some time, and will constitute a drain upon the cotton available for the strictly textile industry.

Foreign buying is believed to have fallen off to a large extent because of the comparatively high prices, and the opinion is expressed that when prices go down much more cotton will be sold abroad than at present, in spite of the disability imposed by the heavy discount on foreign exchange. The plans of the United Kingdom to make the Empire more nearly self-supporting in respect to cotton, because of the disadvantage of depending on American cotton, which is fluctuating in supply and which is being more and more consumed at home, will not in all probability affect the cotton market for some time, as it will take years to work them out. In the meantime, however, there is a marked disinclination on the part of European buyers to take more than the absolute minimum, as they too are looking out for a possible drop in the prices of both raw cotton and finished cotton products.

Copper

Market Strengthening

The heavy buying of January and the sustained quiet strength of the demand



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during the latter half of February have been encouraging to the copper industry. For the first time in a long while, producers and dealers are quoting the same prices for spots and future delivery copper, indicating that a resumption of the buying movement is expected. When it comes, it should be of fair magnitude, as it is understood most of the big consumers have not entered the market as yet and are using up their supplies.

The character of the buying now is different and stronger than that of last year, when comparatively smaller sales were accompanied by almost daily price advances. The advance since the beginning of the year has been slight, in spite of heavy sales, and the attempt to avoid selling to speculative interests which characterized much of last summer's activity appears to have been in the main successful, and to have prevented large stocks of the metal from getting into weak hands who would let go at sacrifice prices during a temporary depression. When a slight check in the buying came some weeks ago, it was noticeable that price concessions were few and slight.

Production in the main has been running along on an even keel, as it is not believed that the time is yet ripe for a resumption of full output for fear of overloading the market, while on the other hand producers are able to sell all of their output at the present reduced rate. The development work which most of the copper companies have been doing pending the recovery of the market has uncovered large potential supplies which are now easily accessible, so that it is said that if conditions justified it the present production of copper could easily be doubled, if not increased even more.

Export Outlook

From England comes the report that finally, for the first time since the armistice, Government stocks of copper are entirely cleaned out, thus putting that country into the market as a purchaser. The well-known copper shortage in Germany is just as intense as ever, as importations to date have been a drop in the bucket compared to her actual needs.

More buying is also being reported from France and Belgium, in spite of the severe handicap of exchange depreciation. All this buying is in the nature of "emergency purchases," made because the importing nations could not help it. This leaves much room for buying of a less peremptory nature, particularly in view of the spread of the movement for electrification in foreign countries.

The great expansion of the electrical industry in this country has led to much confidence among copper producers, as they reason that these electrical products will all require considerable wiring, and thus increase the country's domestic consumption of copper. Together with the increased activity of building construction, this should lead to more active buying by domestic interests, and further strengthen the market.

With the potential domestic buying still to be accomplished, and the large foreign demand that most copper men expect to materialize some time this year, it would seem that the market will continue to be inherently strong for some time. As to price advances, it would seem that a rise was in order, but it is scarcely likely that it will go very high, or even attain the 1918 levels, in view of the tremendously increased potential production that could be put on the market.

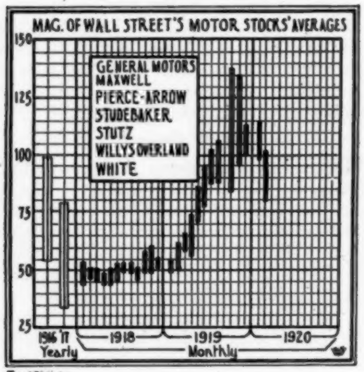
Motors

Industry Still Expanding

The policy of expansion upon which the motor industry entered last year as soon as post-war industrial uncertainty was over is keeping up, even adding acceleration as it goes. Financing of the automobile industry during the month of January was almost twice as heavy as in the month before and 35% more than the corresponding month last year, this in the face of an adverse money and investment market.

Plans for increasing production and for new factory and office construction are being carried out by many of the older companies and numerous mushroom concerns are springing up to take advantage of the unusually prosperous condition of the industry. Demand is still somewhat ahead of available supply, and orders are being taken with the understanding that they will not be filled for some time.

The shortage of steel in face of the heavy demand is causing a certain amount of concern to the automobile industry, and manufacturers are trying to fortify themselves by accumulating large stocks ahead of time. The supplies of alloy steels are



To Feb. 25.

said to be particularly low, and new sources are being looked for.

The fact that demand is running so high at the present time is considered especially significant in view of the seasonal dullness which usually attacks the industry about this time of year. Price advances have been hinted at, but there is little tendency in this direction observable, present prices appearing to afford a sufficient margin of profit with the current high rate of production.

Motor trucks are sharing in this activity proportionately to an even greater extent than pleasure cars, and it is probable and their production for the year will show a larger ratio of increase than that of the lighter types of motor car. The increasing gravity of transportation problems and the flexibility of the motor truck have brought this vehicle into prominence as an auxiliary where not a competitor of the railroad.

The export trade in motor vehicles is beginning to show possibilities, as there is a large demand for both pleasure and commercial cars from the Far East and South Africa. Production difficulties are the main obstacle in this field, but a large backlog of potential demand is being rolled up in the foreign demand.

Foreign competition is beginning to come into play, as the large industrial countries of Europe return nearer to normal production. England especially seems to have been taken with the American idea of mass production, particularly in the less expensive variety of cars, instead of specializing in the production of smaller numbers of the better grade. British interests look forward to the time when their cars will be an actual menace to the American supremacy, hitherto unchallenged, in the field of the cheaper car. The statistics of number of cars to population show that European countries are considerably further away from the ultimate saturation point than America, and consequently have more room to expand in on their own soil before any active competition in export trade starts. For the time being, however, the situation is that the American motor industry has its hands full taking care of the domestic demand, and its foreign trade is of comparatively slight importance. What would happen in case of a depression in this country which would lessen the demand for an article with a highly elastic demand such as the motor-car is an entirely different story, of course.

Rubber

More Production in Sight

The weakness in the rubber market seems to be still fundam ntally a question of steadily increasing production while demand for the raw product, though growing, is not keeping up with the increased supply. The largest element of increase in the consumption of rubber is the growth of the rubber tire industry, which is now the heaviest customer of the rubber trade. Mechanical rubber goods and electrical supplies have been fairly active this year, but unable to cope with the flood of rubber that constantly threatened to be let loose on the market.

Not only have the Far Eastern plantations already established been turning out large quantities, but American experiments in growing rubber in the Philippines appear to be successful, and American interests are planning to invest large sums in the new industry there. From Mexico comes reports that low-grade guayule rubber will soon be in much greater supply than at present, as a number of rubber-making plants which have been closed for some time are now ready to reopen. In the meantime the cultivation of the guayule shrub has been carried out on a large scale, so that raw material will be available for the Mexican factories in great quantities when they start working again.

In view of these factors it would seem as if the rubber market is in for another slump in prices. The decline in sterling exchange has hurt the market, too, by increasing the anxiety of Far Eastern planters, marketing their goods through Singapore and dealing in pounds sterling as the international medium of all the mongrel currencies of the East, to sell their products to Americans and to obtain the benefit of the appreciation in dollars.

Another angle of the situation is that Japan has got to the point where she is actually exporting rubber goods to the United States, especially in rubber balls, dolls and novelties, this country being her second best customer next to South America. Japan now makes practically all her own tires, from bicycle and rickshaw to automobile tires, and is even sending an exportable surplus to other Eastern countries like the Straits and China. This means a cutting down of the export field for American rubber manufacturers, if not in some lines an actual diminution of domestic buying, and a consequently lessened demand by them for the raw material. If this tendency progresses much further, the results will be shown, we believe, by an additional slump in the rubber market.

In the meantime the tire industry is among the most prosperous in the United States, like all those which are connected as accessories with the automobile business. Production facilities have been increased till they are believed to be fairly adequate for the demand, and price increases are no longer being spoken of, though rising labor and cotton prices for some time past have counteracted the falling price of rubber. The outlook therefore is for stability in prices of rubber products, with the possibility of recessions in some cases.

Dyes

Washington Developments

How soon the Senate will have time to consider the Longworth bill, intended to protect the dye industry in this country, is uncertain, especially in view of the protracted negotiations over the Peace Treaty. As reported out of committee, it is said to be slightly inclined to keep watch over the industry to see that it does not make unusual profits, as well as to accord it a measure of protection from foreign competition. The Senate Finance Committee in reporting on the bill has stated its preference for an embargo on dye imports as the basic policy, with the exceptions to be granted whenever demand necessary by the Tariff Commission which is to administer the act. The Committee favors this policy as an alternative to the proposal of the House bill that dye imports be licensed. At the same time the continuance of the existing duties on dyes is urged.

That American industrialists believe that the dye business will be able to flourish under the conditions to be set by pending legislation is indicated by the great influx of capital into the dye, drug and allied industries of late. In the months of December last and January more than half as much capital went into these lines of business as in the whole year of 1918. Many of these concerns expect to operate with patents handled through the Chemical Foundation, which administers the patents taken over by the Alien Property Custodian, whose title to them has recently been defended by its counsel.

Market Conditions

The dye market, while quiet at the present time, is still in a condtion which has lasted for a long period, of great unsatisfied demand and reluctance to make commitments. The shortage is especially marked in those dyes which have to be imported, in spite of recent arrivals of German dyes by arrangement with the Allied Reparations Commission, and of some shipments of Dutch and French dyes.

In intermediate products, too, there is still an acute shortage, largely because of the difficulties of coal transportation which hinder the production of coal tar derivatives. Basic products are less in demand and in greater supply, but manufacturers' operations are being seriously interfered with.

The activity in the textile industry has done much to keep the dyemakers busy, but signs of a falling off in textile exports tend to make the dye industry look with some concern toward the future. Domestic demand for dyed products, however, still keeps up well, and prices have not been a dominant factor in controlling the amount of dye business done, especially as in many lines increasing knowledge gained by experience as to the technique of dye production has cut down costs.

Shipping

The Ship Sale Muddle

Once again the national pastime of "passing the buck" is being played at Washington in regard to the government's shipping policy. A majority of the Shipping Board, including the chairman, has decided that the best things to do with about thirty ex-German liners, to which they say they have a clear title, is to dispose of them to private interests by auction sale. The alternative to this is reconditioning them at an expense to the Government of about $75,000,000 and then either turning them over to private concerns to operate or operating them for the Government's account.

Confronted by a storm of opposition when they tried to sell the ships, the Board found the previous bidders unwilling to stand by their offers, and now have passed the whole matter over to Congress. In the meantime the vice-chairman of the Board had indicated his disagreement with his colleagues over the problem of valuation, on which the bids now considered too low were based. He declares the depreciation allowances granted by the Board were excessive, and believes that the Government should recondition the ships and operate them through private concerns.

The matter is now in the hands of Congress, and is further involved by the fact that bills are under consideration now for the formulation of a permanent marine policy. If it should be decided that the Government is to keep the ships, it would become the duty of the Shipping Board to balance the fleet by the addition of more vessels of types which are relatively scarce in our merchant fleet as at present constituted. Should private interests take title to the ships, however, there would be no such assurance of the proper balancing of our merchant marine.

The shipbuilding interests have come out strongly for the retention of the ships by the Government, their reconditioning and operation through private interests, at least until a definite policy is formulated by Congress. In the meantime the shipbuilders are not faring badly at all, with heavy demands being made on them for tonnage by domestic, and latterly by foreign interests in spite of the adverse exchange situation. The foreign demand seems to be mostly for tankers, but freight vessels of all kinds are in demand by domestic buyers.

Shipping Market Outlook

The market for tonnage at the present time is fairly dull, what with foreign exchange conditions and harbor strikes in European ports, Australia, and some of our own ports. Importing is now beginning to be relied upon more and more to keep ships from lying idle, but few ships are able to command full cargoes, leading to a waste of good tonnage. A shortage of transportation facilities exists in the oil industry, however, and the number of tankers afloat is insufficient for the amount of traffic to be handled.

Difficulty in securing bunkerage is reported from some quarters, because the car shortage has made inland coal transport unreliable. Freight going to Europe consists mostly of bulky commodities such as foodstuffs and to some extent coal, which pay low freights comparatively. Sailings are often delayed because of loading and bunkerage difficulties, and the amount of freight carried is subnormal.

Present prospects are for a dull shipping market, with little demand for tonnage and the possibility of a decline in shipping rates.

Packing Products

The Decline in Meats

The well-advertised decline in meat price so far has been confined to wholesale prices, as the retailers are presumably still working off the stocks acquired at the older and higher levels. A certain tendency may also be expected on the part of distributors to maintain the present retail level of prices while taking advantage of the decline in their buying operations, thereby increasing the margin of profit. This condition could not be maintained for long, however, and in the end we believe it is safe to predict a decided drop in the price of packing-house products generally.

The recent segregation of outside interests by some of the larger Chicago packing concerns has little to do with this tendency, however. In fact, so far as it has any influence, it would tend to raise wholesale prices, as the removal ot one source of profits would tend to make packers seek larger profits to counterbalance this loss from their more restricted lines of business.

The real cause of the decline must be sought in the weakening demand from Europe, under the influence of unfavorable exchange rates, for all kinds of foodstuffs, which first of all affected the flour and grain markets. The price of packing products was hit both directly, through lessened European buying and consequent accumulation of large stocks intended for export, and indirectly, through the decline in grains, which to a certain extent measure the cost of production of meats, as well as possible alternatives for them.

The stimulation of production by the high prices prevailing until lately has also had some influence on the market for meat products, and may be counted upon as a more or less permanent factor in this respect, whatever happens to exchange rates. How much further this downward tendency will go is doubtful at the present moment, but the weakness of the grain markets and the outlook for further decline there would seem to indicate that little strength may be expected in the packing products market for some time, if prices do not actually go lower.

Grain

Demand Inactive

Though the nominal quotations for wheat have shown some strengthening during the past few days, buying is very dull, and only in a few cases have flour prices been raised slightly to conform. The reason apparently is the fundamentally poor statistical position of wheat and flour —large supplies on hand as a result of the unusually large crop. Not so much is heard about car shortage of late, probably because movement of wheat is insignificant in comparison with its previous activity.

Large stocks of flour are reported on hand at all the principal centers, and the export buying which was to have moved them does not seem to have materialized to as great an extent as expected. Particularly of the soft wheat flours there is an oversupply, according to present market standards, as the public does not seem to show much buying interest in this type of flour.

The recent attempt in Congress to abrogate the provisions of the wheat guarantee bill, which has only a few months to run anyway, appears to have been shelved. For the interests of the farmer, this may turn out to have been lucky, as the guarantee has not had to be called on to maintain the price of wheat as yet, but from the weakness of the present market there is no telling if the open market price may not decline to a point where the Government may have to step in to keep wheat at the fixed minimum.

The interesting feature of the corn market has been the abolition of the restriction prevailing hitherto which limited trading by any one interest to 200,000 bushels. As a result trading has been more general, and a good deal of attention has been diverted from oats and rye to corn as a consequence. Stocks of corn are not as large as in the case of wheat, but the general outlook and the lack of export interest have combined to keep prices down.

The strengthening factor in the rye market has been the prospect of buying both by Europe directly and by American interests for the relief of Europe. The great argument here has been that for the same amount of nutriment rye is relatively much cheaper than wheat, and that the countries to which the relief was intended to apply are not averse to the use of the coarser grain.

Nightmares of the Sleeping Investor

The investor has found out that it is necessary for him to keep in touch with events and happenings if he wishes to protect and increase his funds. The habitual bond buyers have also reached the same conclusion. The man who once purchased Rock Island Co. collateral 4% bonds due 2002 at 60 or 70 and put them in his safe deposit box, forgetting he had them, learned some short time ago for the first time that the total equity to which he was entitled after the downfall amounted to a problematical $100 or so for each bond costing between $600 and $700. When he gets his next surplus, and invests, the investments will be analyzed.

Buying and Selling Securities

Chapter IX of the Series "How to Invest"—The Various Markets—Price Movements—Commissions and Interest—The Partial Payment Plan

By **GEO. E. BARRETT**

THERE are three general markets for all types of securities, namely, (1) the Stock Exchanges, (2) the Curb Market, (3) the Over-the-Counter Market.

In considering the question of market, the general distinctions must be kept in mind between securities bought for investment and those bought for speculation. As previously pointed out, a corporation's bonds and notes representing its obligations and its preferred stock usually constitute investment securities. Its common stock, which represents equity in the corporation junior to its investment securities and carrying the principal risks of the business with its corresponding opportunities for profit, is the speculative type of security. These general statements are, of course, subject to the qualifications previously set forth when discussing this subject in detail, namely, that the mere type of a security does not indicate its investment or speculative value and that there are common stocks which rank as superior investments to many first mortgage bonds.

No figures are available to indicate the volume of transactions in investment and speculative securities in the three principal markets aforementioned. It is generally conceded that the principal market for speculative securities is on the New York Stock Exchange, while the principal market for investment securities is "Over-the-Counter."

To understand the buying and selling of securities we must first outline as briefly as possible the three principal markets. There are many stock exchanges throughout the country, but the New York Stock Exchange is, of course, the most important. There is another stock exchange in New York known as the Consolidated Exchange, formed for the purpose of dealing in smaller amounts than the 100 share unit of the "big board," and there are exchanges in Philadelphia, Boston, Chicago, Los Angeles and other large cities.

The N. Y. Stock Exchange

The New York Stock Exchange is an unincorporated organization similar to a club. Membership is limited to 1,100, and, therefore, in order to become a member and enjoy the privileges of the New York Stock Exchange, it is necessary to purchase the membership, or "seat" as it is called, of a member who desires to resign. The price of a seat varies from $50,000 to $75,000 or more. A membership in the New York Stock Exchange entitles the owner, among various other privileges, to buy and sell stock in the large board room provided for that purpose.

There are four general classes into which the membership may be divided: first, those brokers who buy and sell securities for the public, charging the regular commission; second, the brokers who do not deal for the public but buy and sell securities for other brokers who, while also being members of the Exchange, do not have a sufficiently large volume of business to warrant maintaining a member on the floor of the Exchange and the necessary assistants. These brokers execute orders for the other brokers at $2.00 per hundred shares, and are called "two dollar brokers."

Third, there is a large group of members of the Exchange who do not buy and sell securities for the public or for brokers, but deal entirely for their own accoun , purchasing and selling securities on the basis of their forecast of the immediate trend of prices. These brokers, of course, do not have to pay any commission.

Fourth, there is a large group of members who are never present but who own seats on the Stock Exchange for various personal and business reasons other than the purchase and sale of securities. Among the embers of the Exchange have been some of the foremost financiers of the country. In addition, there are some members who specialize in certain stocks and others who confine their activities to bonds.

The members of the Stock Exchange are only allowed to trade in such securities on the Exchange as are "listed," that is, such securities as have been passed upon by the listing and governing committees of the Stock Exchange.

This brings up a point of great importance to the investor. Many people are of the opinion that they should confine their investments strictly to securities listed on the New York Stock Exchange, as they have a general idea that this insures both marketability of the security and a certain degree of safety, owing to its intrinsic value being passed upon. Doubtless, listing of a security on the Stock Exchange is an advantage, but by no means does it insure marketability, nor does it in any way indicate that the issue has been passed upon as to its intrinsic worth by the committee of the Exchange.

As a matter of fact, to list a security on the Stock Exchange merely requires the submission to the listing committee of such simple information as is ordinarily made public and usually consists of not more than such regular documents as are on file in the offices of banking houses issuing securities. These requirements usually cover the charter or articles of a corporation and by-laws of the corporation, the resolutions authorizing the issuance of the securities to be listed, a description of the corporation's business and the property and indenture securing the issue in the case of bonds, or the preferred stock provisions in the case of preferred stock, the balance sheet and earnings statement of recent date, together with sample of the certificates. The corporation then agrees to the publication of annual statements and the giving of certain published notice in the matter of dividends, annual meetings, etc.

The committees of the Exchange usually require an opinion from responsible lawyers that the proceedings have been properly conducted. These papers are then placed on file and the principal information is published in the form of a listing sheet, which is distributed to the members of the Exchange and copies of which may be had upon application. The information required by the Exchange is much less than that available and required by bankers and in no way does the Exchange take responsibility for the value of the securities it may list for trading.

With regard to marketability it is necessary to bear in mind the sharp distinction between speculative and investment securities, for undoubtedly the listing on the New York Stock Exchange adds greatly to the marketability of speculative issues. Oftentimes the mere rumor that a speculative security is about to be listed on the Exchange will cause an advance of 10% in its market price. In the case of speculative issues, listing on the Exchange serves to bring the issue before the general public who are constantly buying and selling similar securities. Quotations appear regularly throughout the country in the daily papers and each transaction is recorded on the tickers of the Exchange and those maintained by the various news services.

To list a speculative security on the Exchange assists in popularizing it and because of its better market facilities it is ranked as better collateral for loans at banks. Since a large part of the purchasing and selling of speculative securities is done on margins, that is, through the assistance of borrowed funds, anything that adds to the "bankability" of a security is to its advantage.

On the other hand, investment securities which are usually bought outright and paid for in cash and which the purchaser does not anticipate immediately reselling do not as a rule enjoy as good a market on the New York Stock Exchange as over the counter. There are many issues listed on the Stock Exchange in which there have not been any transactions for years and many more for which there is no actual market on the Stock Exchange. There are, however, a number of issues of investment securities for which the principal market is to be found on the New York Stock Exchange. This applies particularly to foreign loans, Government bonds and issues of investment securities which also have a speculative value principally through a conversion privilege, that is, the right to convert into stock at a certain price.

The Curb Market

The Curb Market is of minor importance from the standpoint of the investor. While there are many issues sold on the Curb which are high-grade investments, the Curb Market is generally the preliminary market for securities which may be ultimately listed on the New York Stock Exchange, or for the "cats and dogs" of the market. Most of the cheap oil and mining stocks are traded in on the Curb. Many wild-cat stocks are to be found there, while at the same time most of the Standard Oil securities are bought and sold on the Curb.

The Curb Market is known as the New York Curb Market Association. While there is a general organization, the actual purchasing and selling is done in the open on Broad Street, between the New York Stock Exchange and Beaver Street. There are many stocks listed on the Curb, but the trading is not confined to these issues as in the case of the Stock Exchange, and any securities may be bought and sold there.

The principal requisite for listing a security on the Curb is the payment of a fee. When securities are once transferred and listed on the New York Stock Exchange they cease to be traded in on the New York Curb. Some issues are very active and a large volume of transactions occur daily in this market. In buying and selling securities on the Curb Market it is necessary at present to deal with responsible brokers, as the general organization is loose and not altogether reliable. A great improvement has taken place in recent years and a movement is under way for a closer organization with further restrictions on membership and listing. It is planned to acquire a permanent home for housing this market.

Over-the-Counter Market

The "Over-the-Counter" market is the most important market from the standpoint of the buyer of investment securities. This market consists principally of the large banking houses, who purchase and sell securities for their own account. Each banking house is interested in the market for the securities which it originally brings out and offers to the public and it generally maintains a market for these securities.

The smaller banking houses and brokers throughout the country are more or less interrelated to the large banking houses and it becomes a matter of general information among them just what particular banker is headquarters for the market in a particular security. An inquiry to purchase or sell a security is telephoned or telegraphed to the banking house most interested in that particular security and in this manner the best price to buy or sell it is obtained.

Of course, if an individual can go directly to the banking house offering a new issue of securities or to a banker or broker associated with such an issuing house, the best price may be had for the purchase of a security. If an investor wishes to sell it may likewise be advantageous to go directly to the house which originally offered that security. Nevertheless, the quotation for a security elsewhere in the "Street" may be different from that quoted by a banking house interested in the offering.

It is generally conceded that the largest volume of transactions in investment securities takes place "over the counter." For example, an issue of $10,000,000 of investment securities originally sold to investors throughout the country gives rise to further demand in various ways. Some of the purchasers may wish an additional amount perhaps to round out a block to an even amount. An original purchaser may advise a friend contemplating investment to buy the same security. Thus a general inquiry and demand is aroused for the security, which through the general custom of handling this business finds its way to a central market, namely, the house originally offering the security or some broker specializing in it.

Likewise a number of the original purchasers may desire to dispose of their holdings and thus by the general plan of referring the offering to one central market, it is possible for a banking house receiving the buying and selling orders to fulfill both the wishes of the buyers and sellers. Very often such a banking house or broker will buy securities for its own account when it has no corresponding orders on hand, and sometimes will sell securities from its own investment account or the holdings of close friends and customers who may have the securities on hand.

(To be continued)

Supply and Demand and Commodity Prices

A Communication

In almost every issue of your magazine the subject of high commodity prices receives more or less attention. It is uppermost in the mind of the man in the street and is perhaps the chief cause of the prevalent social unrest. There seems to be so much divergence of opinion on this great question that it is perhaps futile to add to the general confusion: But I should like to make a few suggestions along lines that have not as yet received much attention.

To begin, I notice that the college economists, those who have gone into print, seem to be of one opinion, to wit: that high prices have come to stay; and the usual line of reasoning is that these prices are the result of inflation of currency and expansion of credits. From this proposition I most heartily dissent. Of course there can be no doubt that these factors would have a real effect if our country were not on a gold basis; and in Germany and Russia there can be no question but that high prices are in great part due to inflation of currency. But then these countries are in no sense on a gold basis. It will not be disputed that where there has been through the years a steady cheapening of gold due to its increased production per capita; that the cost of living has been increased relatively with this cheapening of gold. But having regard only for the period in which we are now living as compared with the period just before the Great War, there can be little doubt but that the increase in commodity prices has been due chiefly to actual shortage of the respective commodities. This shortage has been responsible for hoarding and speculation in commodities to a tremendous degree, resulting in the manipulation of prices to a stage where actual costs of production are lost sight of. These inflated prices are the natural result of the foregoing conditions and are the cause of inflation of currency and credit and not the *effect*. For under the present level of commodity prices it takes two dollars to finance a trade where one dollar sufficed in 1914.

In other words, the great law of supply and demand which is so often ignored is practically the only basic cause of high prices. All other causes—even wages—are subordinate and will adjust themselves to supply and demand.

Now just a few illustrations: it does not seem to be generally known that there are a number of important commodities that are even now at or below a pre-war basis, for example: india rubber, sulphur and copper. The citrus fruits are surely no higher than they were in 1914, at least around Washington Market, New York, although no doubt many retailers are asking more than a reasonable profit. The heavy chemicals are rapidly approaching a pre-war basis; and a little investigation will show many other commodities that may be bought at or near pre-war figures. Here we have the result of *surplus of suppty*, over demand. Hogs, sheep, cattle and grain have declined markedly from high war prices, although one would have difficulty in realizing this fact when purchasing from his local retailers. There are too many "rake-offs" between the producer and the consumer. Profits are superimposed upon profits.

As an indication of how prices advance, one has only to consider the situation with respect to sugar. I do not recall all the facts in connection with the operations of the Sugar Equalization Board, but I believe Mr. Zabriskie has made a public statement to the effect that he might have had the bulk of the Cuban crop of 3,000,000 tons at 6½c. had our Government acted promptly, whereas immeditely after his option had expired, the figure jumped to 12 or 15c. a pound. This illustrates the point I want to bring out that prices during a period of scarcity, are largely artificial and often bear but slight relation to cost of production. Can there be any question that the sugar producers in Cuba are able to sell their product at 6½c. a pound?

Some years ago I had occasion to make a slight study of the fluctuations in the market prices of certain standard grades of paper. I found that in this industry when the demand exceeded the supply by say 5%, there might easily be an increase in market prices of 100 or 200%, and conversely when the supply exceeded the demand by 5%, prices might be reduced anywhere from 25 to 50%.

Great profits are now being made in leather, textiles, building materials, steel, oil, automobiles and other lines, and many a "well-watered" concern has been elevated to affluence because of its outrageous profits of the past four years. Let me quote from a leading commercial paper commenting on the reports of the Federal Trade Commission:

"There are cotton and wool manufacturers who say very frankly that in their opinion their profits are abnormal, unwarranted and hazardous. They cannot sell their goods below the market and justify their act to those who employ them. . . The buyer has been moved to make purchases in anticipation of profits easily made. There has not been any such pressing necessity for clothing as many buyers have talked about. The real pressure has been the abnormal desire to make great profits and to take advantage of conditions without a thought of the ultimate result of distorted and extravagant values.

"That a very substantial part of the price advances since the armistice has been warranted by fundamental costs and conditions is not disputed by anyone. . . But when many dry goods prices are predicated upon growers' profits of 50% and traders' profits reaching even up to 100% and manufacturers' profits of 60%, it needs no prophet to declare that business men have a wrong slant on the ethics of their vocation and are sowing seeds that will reap a whirlwind of disaster."

I believe that the above schedule of "profits" is very much under those actually obtained. For example, who will doubt that on 36c. cotton the grower is making over 100% and "manufacturers' profits of 60%" will cause many a manufacturer to smile at the moderation of the statement.

Surely Mr. McAdoo had exceptional opportunity for the study of profits and we have his word for it that in at least one great industry, "shocking and indefensible profits" are being obtained. And then it would be well to recall that during a period of high income and excess profit taxes, profits are often largely concealed under such headings as "depreciation," "absolescence," "depletion," etc.

There is very much profiteering to-day and there is very much waste in lines where inordinate profits are being obtained. But the prop might be knocked from under high prices within a few weeks if everyone would reduce his purchases to say 10% of those commodities which are now held at inflated prices and it would not hurt us by the way to practice sufficient self-denial to bring about this result. Something akin to a propaganda (much abused term) is in evidence to induce the long-suffering consumer to become reconciled to inflated prices. A. C.

HOW ONE MAN IS ACHIEVING INDEPENDENCE

THE MAGAZINE OF WALL STREET:

I thank you for your letter of recent date in which you gave me advice on Pierce Arrow. I also appreciate the fact that you have considered my recent letter regarding my own financial problems worth printing in your issue of Nov. 29.

There are certainly some "hidden assets" which you have uncovered, and my yearly balance sheet (which I did not mention) carries items of real estate, $2,100, and personal property, $150. My figures are probably pretty conservative in view of the fact that the buildings and contents are insured for $3,000, and in addition I own 29 acres of land. Among other things of value my holdings include an apple orchard, 11 years old covering less than an acre, from which I have this year harvested about $180 worth of fruit. I won't undertake to say what is a fair value for this orchard, but it is included in the $2,100.

I will say in closing that it looks now as if the income figures for 1919 would give my diagram curves another punch in the right direction. I may write you of this later.—M. S. E.

We also would not care to value your orchard, which probably has a far greater value for the pleasure and enjoyment it affords than a commercial appraisement would give it. We should judge, however, that you are undervaluing your real estate item; but this would be in line with your entire policy. We hope you will keep on punching that curve "in the right direction," and we are sending you the Investment Letter for a year to help you do it. We feel sure that you will be able to use the service with the same discrimination as in your past investments.

Wishing you continued success,

THE MAGAZINE OF WALL STREET.

NOTE.—The contribution of "M. S. E." was one of the most interesting ever received by THE MAGAZINE OF WALL STREET and received prominence in the issue mentioned above.

STOCKHOLDER'S LIABILITY

Please tell us in your magazine how the liability of a stockholder is determined when the stock is without par value—G. E.

Aside from bank stocks, the stockholder has no liability other than the possible loss of what he has paid for his stock. This is true regardless of whether a stock is without par value or not. The stock may be assessed, but the holder is not obliged to pay the assessment. In a number of States, however, owners of bank stocks are liable for obligations of the bank up to doube the par avlue of the stocks they own.

Learn First

J. M.—We beg of you not to speculate in stocks until you learn something about it. Most of the people who do this lose their money and then become disgusted with the business.

We would advise you to spend a year or two studying up, reading the back issues of our MAGAZINE, and reading all the books which we publish and which have anything to do with speculation or investment. There is a very good set of them which we sell for $14, and which will give you a great many points of information which should prove of value.

Don't let anybody induce you to speculate until you understand just what you are doing. After you have put in a couple of years studying the subject, write us again and let us know whether we can help you. In the meantime, keep your money in a savings bank, where you will get a sure rate of interest and the money will be safe.

OKLAHOMA PRODUCING & REFINING CORPORATION

(Continued from page 648)

ized as the corporate successor of the old concern. Stock in this corporation was distributed to former company stockholders at the rate of 1¼ new shares for every old share held. The new stock, that of the corporation, has been listed on the New York Stock Exchange in the place of the old issue.

The most serious error that has been made in reviews of this rearrangement-for-efficiency's-sake has been such statements as "Oklahoma Producing & Refining has sold its producing properties to Ohio Cities Gas." Patently, that assertion is very far from the truth. All that has been sold to the Ohio Cities Gas Co. has been what amounts to an indirect interest in the Oklahoma Producing & Refining Corporation of America.

According to an official, the Ohio Cities Gas Co. is not yet known to have obtained control of the Oklahoma Producing & Refining Corporation. If control does pass, so far as can be learned, it will be through the purchase by Ohio Cities of the additional stock necessary to control in the open market. Control at this writing is vested in the 11,500 stockholders of the Oklahoma Producing & Refining Corporation.

The capitalization of the Oklahoma Producing & Refining Corporation, the present company, consists of an authorized $22,500,000 stock, divided into 4,400,000 shares of common of par value $5, and $3,000,000 8 per cent cumulative preferred. Of this capitalization, $15,000,000 par value of common shares have been listed on the New York Stock Exchange.

Recently this new common stock sold on the Exchange at $5.25 a share. At that figure for the new stock, the holder of 100 shares of the old stock, who turns those 100 shares in, receives $230 in cash dividends and 125 new shares, valued at $656.25, worth $886 in all.

It is the intention of the management of the Oklahoma Producing & Refining Corporation to pay quarterly dividends on the new common at the rate of 8 per cent a year. The assets behind this stock, it may also be noted, will be exactly the same as those behind the old issue, minus the cash distribution of $2.30 a share.

Trust Companies as Safe Deposits

In Many Ways These Institutions More Satisfactory Than Vaults

By **HENRY A. THEIS**

THE safe deposit box is a splendid thing, but the scope of its service is limited. When securities are deposited in a safe deposit box, the duty of the safe deposit company is merely to keep the box inviolate and to permit access to it only to duly authorized persons. The element of safety, of course, has been provided, but when securities are to be withdrawn or deposited, coupons cut and collected, maturing bonds collected or information desired which may be derived only from an examination of the securities, the routine work devolves upon the box holder unless the box has been rented in the joint names of two or more individuals, or a power of attorney has been given to some person.

A large number of investors prefer to be relieved of the routine work in connection with securities. This can be accomplished by means of a Safekeeping Account. It is obvious that a trust company, as Custodian of securities, provides an equal degree of safety. In a safekeeping account it accepts the direct custody of the securities, gives its receipt therefor and is at all times responsible for their safe return to the depositor or their delivery to some other person upon proper order. It is in this way that the depositor's securities are instantly available to the depositor, who, by his order, can direct their sale or transfer their ownership as readily as he can, by check, transfer a sum of money standing to the credit of his draft account.

When securities are locked up in a safe deposit box, they are not available to the owner in case of sickness or absence from home. The embarrassment that may result from not having securities available was clearly demonstrated at the outbreak of the European War when many persons of means were detained in Europe. In certain instances their funds were exhausted and they were compelled to depend upon the generosity of their friends, merely because their securities were not available as collateral to loans by reason of their being locked up in safe deposit boxes. On the other hand, when securities are held in safekeeping they are always available to the depositor at any time. By letter, telegraph or cable, he may direct their delivery or sale or for use as collateral to loans. No matter where the depositor may be, his securities are subject to his control and direction.

If stock or registered bonds are included in a safekeeping account, they should be endorsed in blank with the signatures properly witnessed or guaranteed. Better still, stock or registered bonds should stand in the name of a nominee of the trust company. This is especially true when securities stand in the name of women, whether married or unmarried, because in accordance with the rules of the New York Stock Exchange, a certificate in a woman's name is not a "good delivery." It must be transferred to either the purchaser's name or a nominee before delivery can be made. This necessitates the payment of a double transfer tax.

A further advantage in having securities stand in the name of a nominee is that it makes it possible to sell a portion of the stock represented by a certificate and still have the remainder in negotiable form. For example: A safekeeping depositor has a certificate for 100 shares of stock registered in his name and endorsed in blank. If, while absent from the city, he should desire to sell only 50 shares, the 100 share certificate could be split into two 50 share certificates, one of which could be registered in the name of the purchaser and the other in the name of the nominee. If the stock were not put in the name of a nominee, it would have to be put in the name of the depositor and the remaining 50 shares would not be negotiable.

New York is the financial center of the United States and is the chief market in this country, both for the stocks and bonds of American companies and for the issues of foreign corporations or governments. This is true not only because of the preeminence of the New York Stock Exchange as a market for the purchase and sale of securities, but also because of the operations of the great domestic and foreign banks and banking houses. It is, therefore, a great advantage to have one's securities in New York City, where they may be readily available. Safekeeping depositors may thus take immediate advantage of fluctuations in market prices to purchase or sell securities, without the delay entailed in shipping securities from their places of residence to the market. Aside from the delay incurred, there is to be taken into consideration the expense of shipping and insurance. To insure genuineness, cable or telegraph orders with secret code signatures, known only to the depositor and the trust company, can be arranged.

In addition, to the safekeeping of the securities, a trust company cuts the coupons from bonds, collects the proceeds and either credits the same to the depositor's draft account or remits direct to the depositor under advice. It collects promptly the principal of bonds as they mature and either remits or credits the amount. Dividends from stock are also collected. It is desirable that dividends, on the direction of the depositor, be made payable to the trust company in order that it may be assured that the dividends are received. Failure to receive a dividend when due, causes an immediate investigation on the part of the trust company and the depositor is notified in case the dividend has been passed. When stock stands in the name of a nominee of a trust company, no action by the depositor is necessary. The trust company prepares the certificates required under the Federal Income Tax Law preliminary to the collection of coupons, registered interest or dividends. This detail alone relieves the depositor of many vexations.

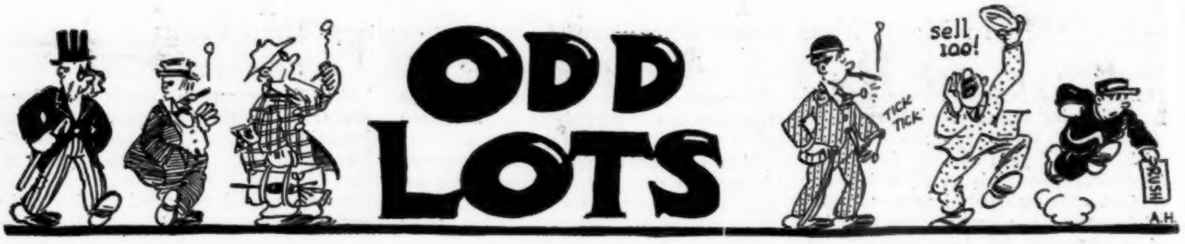
Many trust companies have endeavored to render real and valuable service through their safekeeping departments to security holders by attending to many things which the ordinary investor overlooks. Such companies watch for and endeavor to inform the depositor concerning called bonds, rights to convert bonds into stock, rights to subscribe to new issues of bonds or stock, extraordinary, increased, reduced, or passed dividends, the appointment of receivers, the appointment of protective or reorganization committees, opportunities to sell bonds to sinking funds, etc. The day on which a bond is called for payment, interest ceases. If the holder's attention is not called to this, he loses the interest which he would have received, had his money been reinvested immediately. Bonds may have the valuable right of being converted into stock on or before a certain date, upon the expiration of which the privilege is lost. If the bondholder overlooks this right, it may mean money lost to him. He may have the right to subscribe to new issues of stocks or bonds. Even if he should not wish to avail himself of such a right, frequently these rights have a value which can be converted into cash by the sale of the rights in the open market. If the investor should overlook the selling of his rights, or the exercising of his rights before the time limit, he may suffer considerable loss. When committees are formed for the protection of security holders, quick action on the part of the security holders may result in substantial advantages by depositing the securities with the committee.

Information concerning the appointment of receivers may also be of importance to the security holder as it may enable him to dispose of his holdings immediately, before greater loss is incurred. Opportunities to sell bonds to sinking funds are of great value to security holders, especially when the securities have a narrow market.

If the depositor desires, periodical examinations of his holdings are made by experienced bond men with a view to determine whether it seems advisable to recommend either a change in the securities, because of new conditions, or in order to secure a more balanced and conservative investment or possibly a higher net return.

In addition to the services directly connected with the care and supervision of securities, there are many other matters which can be attended to by a trust company. On instructions, it will pay taxes on real estate or personal property, interest on bond and mortgage or bank loans, premiums on life or fire insurance policies, rent on houses or apartments, storage charges, allowance to children, relatives or charities.

Executors, administrators, guardians or testamentary trustees, as well as individuals and corporations may open safekeeping accounts. If a bond for the faithful performance of their duties is required, they may often reduce this bond by procuring an order from the Surrogate, directing the deposit of the securities with a trust company, such securities not to be redelivered except with the consent and under the direction of the Surrogate.



ON THE INTERNATIONAL STOCK EXCHANGE

SPEAKING of the popularity of internationalism, some one asks, why not an international stock exchange? Well, there would be some complications. While the English and French would quote a stock at, say, fifty-eight and cinquante-huit respectively, the German will say eight-fifty (achtundfuenfzig), the Greek sixty minus 2 (hexeconta dyo deontos), the Roumanian, five tens plus 8 (cinci zeci si opt) and the Dane would test our mathematical powers still further by saying eight plus two and one-half times twenty (atta helv tres sins tyve). We fear that brokers would turn gray even younger than they do now.

* * *

AGGRAVATING

"Why so mad "

"Jim just paid back the two hundred he borrowed."

"I don't see——"

"He borrowed it when a dollar was worth 100 cents and he repays it when a dollar's worth only 50 cents."

* * *

RIGHT IN HIS LINE

Fake Promoter (to applicant for position as market-letter writer): You say you're a writer. What line?

Applicant: I'm a writer of romantic fiction.

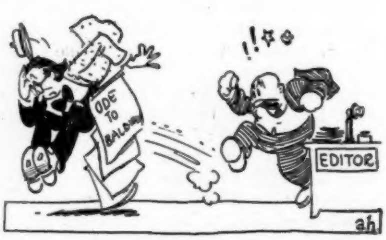
Promoter: You're engaged. Here are some snappy statistics on Pep Petroleum. Go ahead and turn 'em into figures of speech.

FREE VERSE IN FINANCE

An applicant for a position on our staff was recently assigned an analytical article on Baldwin Locomotive. He had something of the artistic temperament, and after studying the company several days he turned in the following *vers libre* effort:

Ode to Baldwin

Baldwin.
Ineffable, enormous, paralyzing Baldwin.
I see stacks of chimneys
Towering into the cerulean;
Vast hammers, mountain-like,



Smashing helpless bars of steel;
Locomotives swaying mid-air,
Caught in the remorseless maw of Frankenstein cranes.

Earnings.
Gigantic, stupendous, soul-staggering earnings.
I see rows of figures
End on end across the page;
After them a per cent sign, silently eloquent,
Stopping the frothing mouths of bears;
Gross, swollen, corpulent earnings,
Standing forth naked in the ruck of post-war madness.

Prices.
Mad, turbulent, tempestuous prices.
I see 156—now I see 99——
Prices fading into evanescent nothingness;
Call loans 100 per cent a minute,
Seated upon the prostrate forms of erstwhile optimists;
Emaciated margins, pale, fainting,
A snapping shoe-string, precipitating the gambler into Sheol.

After the editor had thoroughly digested this new form of corporation analysis he added the following stanza and returned it to the writer:

Fired.
Immediately, unhesitatingly, instantaneously fired.
I see flying coat-tails,
Floating heedless on the freezing temperature;
Before them a frenzied poet, wild-eyed;
A shovel; a deep, deep ditch; flying gobs of murky mud;
A tall, narrow, chrysanthemum-headed poet,
Standing forth shiveringly in the maelstrom of Broadway traffic.

* * *

PROHIBITION JOKE NO. 732,426

A Chicago banker was arrested recently charged with distributing liquor in a public place. It appears that the banker, while dining with friends, produced a flask from his trousers pocket and drank of its contents. According to the Illinois enforcement law, anything in which liquor is transported is to be confiscated. What we want to know is, How did the banker get home?

Adventures of Mr. Wanta Getrich Quick

HIGHER RAILWAY RATES NECESSARY, SAYS E. W. BEATTY

Addressing the Winnipeg Canadian Club at a luncheon at the Royal Alexandra, on "The New Railway Situation," E. W. Beatty, K. C., president of the Canadian Pacific Railway Company, referred to the acquisition of the Grand Trunk and the Grand Trunk Pacific Railway companies by the government as "probably the most ambitious and comprehensive task which any government or any people have taken upon themselves except temporarily and in emergent necessity."

"Canada must depend for some time at least, for additional railway facilities, where needed, upon the National Railways or the Canadian Pacific, because with preponderating mileage under the control of the government, it was not likely that much capital would be attracted to new railway enterprise." Continuing, President Beatty said,

"I think that this will provoke a highly competitive condition. How effective this competition will be will depend upon its honesty and its fairness. If political methods are to be introduced into the competition, and facilities provided in accordance with political expediency or if political rewards follow the extent of the support or otherwise which is granted by shippers to the National Railways, then I should say the competition would be unfair and of doubtful commercial or national value."

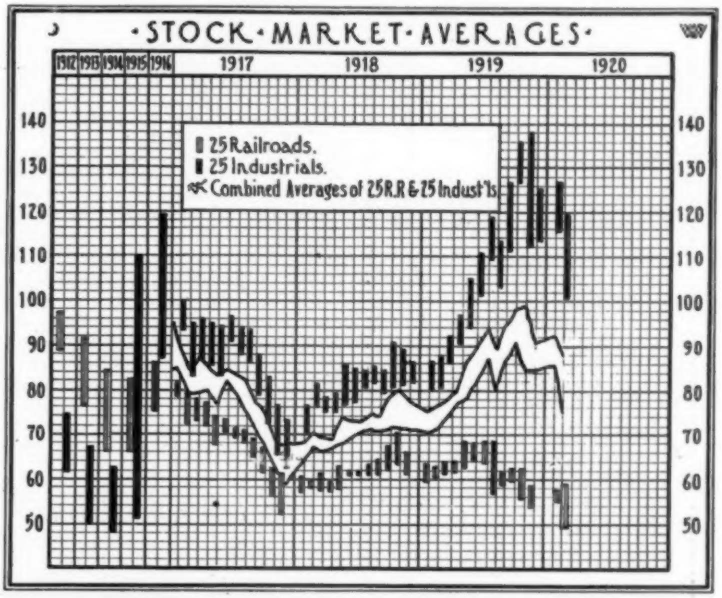
Continuing, President Beatty foreshadowed an increase in railway rates in these words:

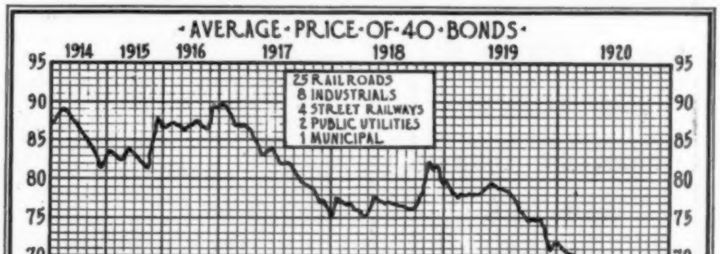
"I do not pretend to speak for the National Railways, but no doubt as in the case of the C. P. R., large sums of money are required to complete work that has been heretofore impossible to undertake and to extend facilities to meet the rapidly increasing needs of the country. Neither of us can stand still; we must progress if we are to receive our fair share of the country's prosperity. In order to do this we must have money, and money can be obtained only in two ways, by stock or bond issues, or by revenue. Operating increases cannot be taken care of by the former. The extraordinary recent costs of maintenance and operation can be met only in one way and that is by increased revenue to the companies, and in this we need the sympathetic support of the people who demand a high standard of railway operation and railway service which can be secured only, in view of the prevailing high prices by paying a transportation charge at least equal to the increased cost of operating. You are all aware that in 1918 railway wages were increased in Canada by an amount aggregating $77,000,000, an amount greater than the interest on the whole of the war debt of Canada; the rates were at the same time increased and they brought in $43,000,000 additional revenue to the companies; in other words, the increase in rates failed to equal the increase in wages by the enormous sum of $34,000,000. There can be only one end to that condition, unless the revenues are readjusted to meet these increasing costs. While rates will have to be again increased, they cannot be increased indefinitely."

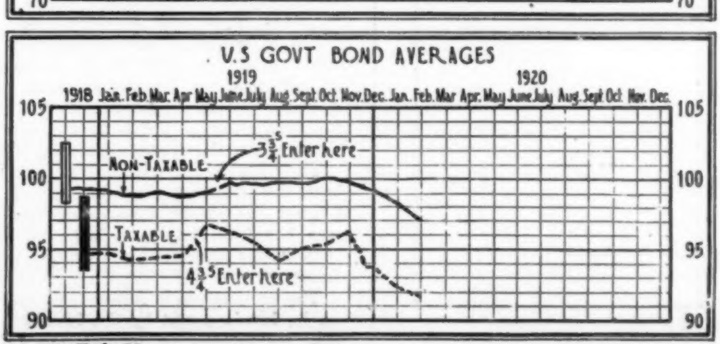
Market Statistics

Date.	N. Y. Times. 40 Bonds.	Dow,Jones,Avgs. 20 Inds.	20 Rails.	50 tocks. High.	Low.	N. Y. Times. Sales.
Saturday, Feb. 14	69.43	94.21	70.14	79.79	78.64	606,900
Monday, Feb. 16	69.41	92.60	69.53	79.39	77.65	831,900
Tuesday, Feb. 17	69.47	93.56	72.68	80.06	77.24	893,100
Wednesday, Feb. 18	70.01	94.44	73.02	81.55	79.28	829,390
Thursday, Feb. 19	70.40	94.15	75.46	82.18	80.03	949,300
Friday, Feb. 20	70.85	95.57	74.98	83.36	80.97	1,060,500
Saturday, Feb. 21	70.88	95.63	75.55	83.17	82.02	440,100
*Monday, Feb. 23	....	....	....	....	....	....
Tuesday, Feb. 24	71.09	82.98	75.25	82.93	80.85	1,097,900
Wednesday, Feb. 25	70.67	89.98	73.14	80.66	78.44	1,251,000
Thursday, Feb. 26	70.41	91.37	74.34	80.42	78.37	997,388
Friday, Feb. 27	70.56	91.18	74.67	81.27	79.40	1,064,975
Saturday, Feb. 28	70.57	91.31	74.77	80.68	79.90	447,183

*Holiday.







To Feb. 25.

Investment Inquiries

ERIE RAILROAD

Too Early to Judge

During the recent advance in low-priced rails, Erie Railroad stocks, of all classes, partly in sympathy with the general list, moved up, but we believe that the purchase of these shares should be held in abeyance until the future trend of operations is better known and until some announcement has been made concerning the refunding of the bonds coming due this year. Net operating income in 1919 was $892,983. If the road had been dependent on this operating net, it would have earned, with other income as reported for 1918, about 27 per cent of its charges as reported for the same year. Other income as estimated for 1919 will show a decrease of about $1,000,000 from 1918, due to smaller coal earnings. In 1918 the company reported an operating deficit of $2,268,879, or a net deficit for the two years of Federal control of $1,375,896. Including equipment trusts, Erie has $25,983,500 maturities this year, most of which occur from September 1 to October 1. Notes to the amount of $15,000,000 mature April 1, 1921, or a total of about $41,000,000 within a period of six months.

On the other hand, Erie is one of the best low-grade freight lines in the country. Its future will depend on the rate at which it recovers its lost business, and concerning this no prediction is yet possible. In a few months, it should be possible to obtain a clearer outlook, and the stock is likely still to be cheap at that time.

SEABOARD AIR LINE

Earnings Above Danger Point

Seaboard Air Line's earnings for 1919 will run only a little more than half of last year but earnings for November were very encouraging and indicate that a turning point has been reached. The company's earnings at present would not cover charges but have not yet reached a dangerous level, at least as compared with the poor earnings of roads in general. Even in case of receivership we think the interest would be paid on the company's bonds.

TEXAS & PACIFIC

Oil Operations Disappointing

We do not recall any statement to the effect that Texas & Pacific is earning 15 per cent on its capital stock. Our estimate is between $2.50 and $3 a share for 1919, although the Federal Guarantee would make the return somewhat higher.

The company's oil operations have been disappointing thus far, and, as the sudden rise in the stock some time ago was based on hopes of large oil earnings, it was natural that a decline should follow.

The company is in receivership and has on its hands a suit by the Missouri Pacific for interest on income bonds. This suit is what is holding up the reorganization, as stock must be given to the Missouri Pacific in return for its claim. The amount technically involved is $27,000,000, but we believe it is likely that this amount will be much reduced in the end.

We believe that Pere Marquette common offers better opportunities than Texas & Pacific, as this road is earning between 8% and 9% on its common shares and they sell lower than those of Texas & Pacific.

WILLYS OVERLAND

Rapid Growth and Strong Position

We think Willys-Overland can safely be purchased at present levels. We have been recommending the stock for some time and while its action marketwise has been somewhat disappointing, we still have confidence in it. Earnings and dividends have run as follows:

Earnings		Dividends	
1913	19%	1913	3%
1914	24%	1914	11%
1915	45%	1915	6%
1916	23%	1916	9%
1917	19%	1917	12%
1918	22%	1918	4%

We have seen no record of earnings for the year 1919 except a statement for the last four months of the year giving net income as $1,657,000.

The company encountered strike troubles during 1918, and a two months' shutdown which resulted caused a deficit for the second quarter. After a reopening, operations were concentrated on two models, insuring volume production and greater efficiency. It was stated in December that production was steadily climbing, being then at the record rate of 500 cars a day. Unfilled orders are believed to be around 60,000 cars, and the company is making plans for further expansion.

In view of these factors, we think there are excellent possibilities for an increase in the dividend rate. The equities behind the common stock of $25 par value are about $33 per share, after deducting good-will, etc., amounting to $9 a share.

LOOSE WILES COMPANY

Floating Debt Wiped Out

Loose Wiles Co. has apparently deferred paying off back dividends on the second preferred stock, amounting to about 33%, until the floating indebtedness could be wiped out. We understand that this debt has almost all been cleared away, and that the stock is in line for dividends in the near future. The company's earnings have averaged around 30% to 40% for the years 1916 to 1918, but were probably lower in 1919, although gross sales in that year were reported running at a record rate. The amount of assets back of the stock are indicated by the fact that in 1918 there were $23 per share on the common stock in assets after deducting good-will, etc., and the accumulated preferred dividends. At present prices around 110 the stock would appear very attractive as a speculation.

MONTGOMERY WARD

New Preferred Well Secured

Montgomery Ward since the recent re-capitalization has outstanding 205,000 shares Class A and 95,000 shares Class B stock into which the 300,000 shares of old common were converted. There is a total of 1,000,000 shares of no par value common stock, together with $8,000,000 preferred. It is expected, however, that $4,000,000 preferred will be retired.

Sales in 1919 were in the neighborhood of $98,000,000 against $76,000,000 in 1918, when profits of $6,400,000 were reported.

The book value of the new common stock appears to be in the neighborhood of $11 or $12 a share. It seems to us that the company has been over-capitalized, and while it has splendid possibilities

INQUIRIES

In order to maintain and improve the high quality of our Personal Service Inquiry Department, we have established the following charges:

By Mail—Three securities or less, $1.00; four to six securities, $2.00; for each additional three securities, $1.00.

By Wire—$1.00 for each security. We have a direct wire, with operator in our offices, and wires take precedence over mail. A small deposit with us is necessary, against which wire inquiries may be charged.

Inquiries on technical points, etc., are charged the same as securities. There is *no charge* on the following:

1. To Investment Letter subscribers.
2. For inquiries in regard to standing of bankers, brokers or investment houses.
3. To subscribers to magazine before Jan. 24, 1920, until their present subscriptions expire.

We do not advise in regard to immediate fluctuations, nor as to the handling of speculative or marginal commitments. Our judgment is based on intrinsic values and on the investment situation.—THE MAGAZINE OF WALL STREET.

for expansion, we do not especially favor the common stock even as a speculation. The new preferred is fairly well secured.

NATIONAL LEATHER

Fairly Attractive Spec-vestment

The National Leather Company was incorporated in Maine in August, 1919, to acquire the leather interests of Swift & Co. It owns the entire stock of four leather companies and has an interest in four others. There is $30,000,000 stock outstanding, par $10. Each holder of Swift & Co. stock was entitled to subscribe to two shares of National Leather Company.

The company has just declared a semi-annual dividend of 4% or 40c a share, payable February 15, to holders of record January 24. The stock is now selling around 17 on the Chicago and Boston Exchanges and seems a fairly attractive spec-vestment.

INTER. MERCANTILE MARINE PFD.

Has Had Sympathetic Decline

International Mercantile Marine preferred is in arrears to the extent of about 50% in its dividends, and this obligation is being liquidated gradually. The recent decline in the stock has been due, to some extent, to the unfortunate conditions prevailing in foreign exchange which have, of course, restricted our business with foreign countries. However, we are inclined to attribute the weakness in the stock more particularly to general market conditions.

Clark, Dodge & Co. have prepared for distribution an interesting pamphlet entitled "The Railroads under the Cummins-Esch Act" purporting to give a theoretical application of the rate-making provisions of the Act to some fifty-seven railroad properties.

Marine preferred is paying 6% regular dividends and additional amounts on account of back dividends. Until the arrears are liquidated, it is likely the company will pay out about 9% a year.

The company has been negotiating with the U. S. Shipping Board for the purchase of the fleet taken over by the United States during the war. If it is successful in making the purchase at around $25,000,000 it will have a bargain. However, opposition is developing to the deal and at this writing it does not seem likely to go through.

In our opinion, this preferred stock is a fair semi-investment at current low levels.

GASTON, WILLIAMS & WIGMORE
Declined with Foreign Exchange

Gaston, Williams & Wigmore stock has had a prolonged decline due primarily to adverse foreign exchange conditions. These conditions were not and could not have been foreseen when we first recommended the stock. Control of the company was recently secured by the Guaranty Trust Co., and we believe that with such powerful backing its maintenance during the present period of uncertainty is assured.

It was recently reported that the company had been selling to Europe against payment in dollars. While its export business has been considerably curtailed, the import business has been increased. In this import field, foreign exchange conditions have benefited the company because its purchases have been made in foreign currency. We still believe the stock has substantial speculative possibilities, especially at the low levels now ruling.

VANADIUM STEEL
Has Monopoly on Vanadium

Vanadium Steel, known as the Vanadium Corporation of America, has 300,000 shares of no par stock outstanding. The company was incorporated in Delaware in September, 1919. The company has a monopoly of its product, vanadium, which is used greatly now in the manufacture of automobiles.

Earnings for 1919 are estimated at around $11 a share, but for 1920 should be materially increased. The stock was recently listed on the New York Exchange and is now selling around 49, at which price we regard it as a good purchase.

The company recently acquired the Primos Chemical Company, a valuable subsidiary, and to pay for this purchase is issuing 93,000 shares of new stock to holders at $45 per share.

GUFFEY GILLESPIE OIL
Preferred Conversion Privilege

Guffey Gillespie Oil Co. is a fairly prosperous oil concern organized in 1918. Its earnings for the year ended May 31, 1919, were $1,853,000, of which more than one half were absorbed by expenses and dividends. We have not seen any more recent returns. Preferred dividends have been regularly paid. The preferred stock is redeemable after 1920 at 105 and is convertible at any time into the common stock at four shares of common for each share of preferred. It would certainly be advantageous to make the exchange on the basis of present prices.

INTERNATIONAL OIL & GAS
Heavily Over-Capitalized

The International Oil & Gas Corporation does not seem to us to be anywhere near the investment class as yet, but to be highly speculative. Its capitalization appears to be excessive as it has $400,000 of 7% call notes outstanding and $7,950,000 capital stock, while earnings estimated for the coming year (which are probably generous enough), are figured at only $562,140 or about 7% on the capital stock. Most of its money appears to be tied up in acreage and leases which may or may not make good. In addition, the company is planning to acquire $3,200,000 of the capital stock of a subsidiary company which owns approximately 25,000 acres of oil and gasoline leases and 1,601 acres of other leases in Mexico and apparently no other assets. We believe that for a low price oil stock it would be preferable to buy the stock of a company of fairly settled production such as Ryan Petroleum, Cosden (common or preferred), or Oklahoma P. & R., which all seem cheap at prevailing prices.

SINCLAIR OIL & REFINING
In No Sense an Investment

Sinclair Oil we believe to have fairly good possibilities as a speculation but should in no sense be considered an investment. The company has had to pay very high prices for its property, pipe lines, recent new construction, and so on, as against the much more moderately priced equipment of older and competitive concerns, and this will militate against Sinclair's future to a considerable degree. No dividends seem in prospect at present, nor is there any likelihood of dividends for some time to come.

Okmulgee Producing & Refining
A Highly Speculative Issue

Okmulgee Producing and Refining has always been a highly speculative issue. A plan to merge this company with the Petroleum Corporation of America was promulgated some time ago, but it is now stated that this merger will not go through, due to objections on the part of large stockholders of the Okmulgee Co.

No details are available as to its present production, although the company is understood to own leases on 30,000 acres in Texas located near production. Nor have any reports of earnings or dividends been received here. Registered stockholders might get some authentic information by writing to the Petroleum Corporation of America at 25 Broad Street, New York City. There is no active market for the company's stock at present and we do not know of any recent quotations.

IT'S GREAT STUFF

It is surely all *great stuff* you are giving to the fellow who wants to get posted, and it is going to save a good many of our hides.

F. M. C.

Current Stock Offerings

The salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the object is purely to keep the reader informed on the more important issues.

Palmolive Company 7% Cum. Pref. This concern manufactures a well-known brand of toilet soap and the business has been established 56 years. The company's principal plants are in Milwaukee, Portland, Oregon and Toronto, and a new plant is to be built in California from the proceeds of the present $450,000 issue. The rapid growth of the business is indicated by the fact that gross has increased from $801,000 in 1907 to about $14,000,000 in 1919, while 1920 will, it is thought, show sales of $20,000,000. The company has no bonded debt, but has outstanding $1,273,200 5-year 7% notes, which are convertible into the preferred stock. Estimated earnings for 1919, after allowance for Federal taxes, amounted to about five times the dividends on total $1,726,750 preferred stock. Dividends have been regularly paid on the old preferred for twenty-two years. The net quick assets amount to $184 per share and the total net assets to $246, without making any allowance for good-will, in spite of the large known value of the Palmolive trademark, established by advertising campaigns which have cost the company over $700,000 a year. The stock is redeemable at 105, and 5% is credited to the redemption fund annually. Offered at par.

United States Trucking Corporation 8% Cum. S. F. Pref. This corporation was formed recently as a merger of twenty-seven large trucking concerns operating in the City of New York, all of which had been in business for a considerable period, and whose aggregate operations comprised about four-fifths of such work handled. While most of the companies entering the consolidation were connected with the particular trades and industries with which they had connections, their equipment and organizations were of the same general character, and it is thought that the combination will result in greater standardization and economy and increased earnings. For example, under the old system it was necessary for each company to maintain its own foreman and gang at each railroad and steamship terminal, but these forces can now be amalgamated and considerably decreased. The number of stables, garages, etc., will be reduced, and a central purchasing system introduced. Audited earnings of the twenty-seven companies operating separately in 1919 amounted to $1,352,221, or over eight times the dividend requirements on the $2,000,000 preferred.

Gunns Limited 7% Cum. Part. Pref. A large Canadian packing plant, in business since 1873. The concern is said to be one of the largest in Canada, its products consisting of diversified meat and food products. Morris & Co., the Chicago packers, have purchased a large interest in Gunns, and will co-operate with the latter along certain lines of business. Earnings for the past four years have amounted to over twice the dividend requirements, and net tangible assets are $294 per share, $157 being in quick assets. The preferred stock is entitled to 1% additional before 9% is paid on the common. One fifth of the net earnings after payment of the regular preferred dividend must be devoted to a sinking fund to retire the preferred stock. Offered at 97½ to yield 7.18%.

Foster & Kleiser 7% Cum. Pref. This is a large western concern controlling outdoor advertising in almost all the large cities on the Pacific coast. The stock may be redeemed at 110 after three years and the whole issue will be retired by 1940, which makes the issue similar to a bond offering, so that although offered at par, the "yield to maturity" ranges from 7½% to 8%. The company agrees to maintain net tangible assets, now amounting to $245 per share, at $225; current assets, now $165, will be kept at $150 or over. The purpose of the issue is to complete payment for the Oakland and Los Angeles plants, as well as to supply additional working capital.

Oriental Navigation Co. 8% Cum. Pref. The statement made in the Feb. 7th issue of the Magazine that this company earned $4 on the common stock in 1919 should be corrected to read $8 per share. The stock is offered in blocks of ten shares of preferred and three shares of common at $1,000, and not eight shares of preferred as indicated in the previous item.

Southern Oil & Transport Corp. Conv. 8% Cum. Pref. This company, which operates in the Panuco district of Mexico, has a well established business, including river steamers, docks and storage facilities on the Panuco river. It also owns 5,000 acres and leases an additional 25,000 acres of oil lands with a present production of 10,000 barrels daily. Excluding the oil land leases, the net assets amount to $448 a share, of which $104 is in quick assets. The preferred stock is convertible into common par for par, the common having a par value of only $10, so that the holder of one share of preferred would receive ten shares of common. Offered at par.

Brighton Mills 7% Cum. Pref. This company, 41 years old, manufactures high-grade cotton yarns and fabrics at Passaic, N. J., its plant having a weaving capacity of 15,000,000 pounds and a spinning capacity of 3,000,000 pounds of cotton per year. Net quick assets amount to $3,725,000, or over $165 per share, and total assets average $237 a share. The issue is carefully safeguarded by the usual provisions. Offered at 97, to yield over 7.25%.

Bear Tractor Corp. 8% Cum. Pref. The minimum subscription to this stock is $50, which is the offering price for a block of five shares of preferred and seven shares of common stock, the par value of each being $10. It is claimed by the manufacturers that the Bear tractor solves the mechanical problem of weight distribution, etc., gaining the greatest effective power and highest efficiency obtained by any type of caterpillar tractor. The Bear is a four-plow machine, and it is estimated that there are in the neighborhood of 125,000 farms in the United States of sufficient size to make the use of such a tractor profitable. Reservations have been received providing for about half a year's output (the company has apparently not yet operated on a production basis), and future yearly profits after taxes are estimated at about $1,400,000. The preferred stock outstanding will amount to only $375,000 and the common $2,000,000, so that if earnings work out as predicted the common stock would earn 25% annually. The preferred is redeemable at 110.

WHOA! STEADY! LOOK!

—Thiele in Sioux City Tribune

TWENTY-TWO BILLIONS IN COUNTRY'S BANKS

The annual report of the Comptroller of the Currency showed at the November 17th call that the number of national banks in the country has increased to a total of 8,000; with the greatest resources, $22,444,922,000; the largest number of depositors, 18,240,300; the largest gross earnings, about $1,000,000,000; and the largest net, not far from $300,000,000, in the history of the national banking system. It is claimed, indeed that the growth in the six years from 1913 to 1919 has been larger than in the fifty years preceding. Curiously enough, the growth in resources from June 30 to November 17, 1919, $829,000,000 is said to have been very largely in national banks outside of reserve cities.

Spotting an Oversold Market

It requires a close knowledge of the market to recognize an "oversold" condition. Yet at times this is comparatively clear. In July, 1910, when the Pearson syndicate was in trouble through too confident purchases on borrowed money, the evident urgency of the liquidation resulted in the creation of a big short interest on the way down. Then the Pearson holdings were not dumped on the market, but were disposed of at private sale to a big banking interest. This gave the shorts no chance to cover. Here was a case where almost any close observer could say positively that the market was oversold.

Current Bond Offerings

Briefly Discussed and Analyzed

Issue	Maturity.	Offering Price.	Approx. Yield to Maturity.		
Government and Municipal:					
*Republic of France 5% Loan of 1920	1920-1980	Approx. $70*	(See text)		
*Kingdom of Belgium 5% Loan of 1920	1921-1995	Approx. 70*	(See text)		
*City of Salt Lake City Impr. 5s	1921-1930	100	5%	(a)	(d)
Public Utility:					
*Consumers Power Co. Gen. & Ref. 7s	Jan., 1930	98	7.28	(b)	(e)
*Consumers Power Co. Serial Deb. 7s	1922-1927	96.01@98.63	7.75	(b)	(e)
Industrial:					
*Downey Shipbuilding Corp. 1st S. F. 7s	1921-1926	97.50@99.38	7.50	(g)	(i)
Detroit Pressed Steel Co. Mort. 6s	1921-1926	94.59@99.38	6.38@7.00	(b)	(d)
*Penn Seaboard Steel Corp. 3-yr. Conv. 7s	Feb., 1923	99	7.38	(b)	
*National Plate Glass Serial 6% Notes	1921-1928	97.47@99.21	7.00	(b)	
*Sheridan-Wyoming Coal 1st S. F. 7s	1920-1934	100	7.00	(b)	(e)
American Hominy Co. 1st 7s	1923-1929	98.37@99.34	7.25	(b)	
International Products Steamship Eq. 7s	1921-1926	100	7.00		
Maynard Coal Co. 1st S. F. 7s	1921-1931	100	7.00		

(a) Exempt from Federal Income tax, including surtax. (b) Company pays normal income tax to the amount of 2%. (c) Exempt from Federal, State and Municipal Taxation as to interest and principal, excepting estate and inheritance taxes. (d) Available in $1,000 and $500 denomination. (e) Available in $500 and $100 denominations. (f) Exempt from State and local and from Federal normal income tax. (g) Without deduction from Federal income tax up to 4% as far as is legally permitted. (i) Company wil refund any tax (excepting succession and inheritance) required by states of Pennsylvania, New York, Massachusetts and Connecticut. (*) Discussed in text.

Republic of France 5s of 1920. These bonds are speculative in two ways—first, as to the redemption at 150 which may take place in any one of the semi-annual drawings extending from Sept., 1920 to 1980, and second, as to the return of the franc to higher exchange levels. If the purchaser should find his bond among those drawn in the first lot, his return would be at the rate of 105% per annum; on the other hand, if his bond was among the last redeemed, the yield to maturity would be only 5.40%. The yield to maturity is only 5%, but if the rate of exchange should in the meantime have become normal, the yield would become 12.53%. There is, of course, a possibility that the exchange rate may go lower rather than higher. The bonds are free of present or future French taxation, and are purchasable at $70 per 1,000-franc bond, with about $5 additional to cover commission, expenses, etc. This price will vary, of course, depending upon fluctuations in the exchange rate. There has been a considerable amount of discussion lately as to whether these bonds come under the application of American and English lottery laws (as did the previous issue of City of Paris bonds). It is generally held that they avoid these technical restrictions, and hence can be freely purchased in this country, the distinction being drawn between a premium and a prize. Subscriptions to the new loan were received in France beginning Feb. 19, continuing until March 20, and the bonds are being offered by several large investment houses in this country. It is said that there is a large demand for them in France, former bonds being sold in order to purchase the new issue.

Kingdom of Belgium 5s of 1920. These bonds are exactly similar to the French bonds described above, except that they mature in 75 years, and differ in one or two unimportant respects. They are payable in francs, and are obviously being issued by Belgium in co-operation with France. Both bonds seem to offer attractive possibilities, but the fact that they are highly speculative should not be ignored.

City of Salt Lake City Impr. 5s. The prosperity of the belt of western territory, of which Salt Lake City is the central point, is well known. The city itself is said to have an estimated property valuation of $200,000,000, while the total bonded debt, including this issue, amounts to only about $3,869,500. The population is now estimated at 142,500, or an increase of nearly 50% over 1910. The bonds are a direct obligation of the city and payable from an unlimited tax upon all the taxable property. With a yield of 5%, they represent an excellent selection for those who desire tax-free securities.

Consumers Power Co. Ref. 7s. This company, which operates in lower Michigan, has a great advantage in that 57% of its electrical output is produced by water-power. It furnishes electric light and power to seventy-four communities, including Grand Rapids, Battle Creek, Kalamazoo, Saginaw, etc. The sales of current are diversified—39% for electric lighting, 10% for electric railways, and 51% for manufacturing concerns. Net earnings amount to about twice the interest charges, including those of the two present issues, which is a very respectable showing for a public utility at the present time. $5,000,000 of the Refunding Mortgage Bonds and $3,000,000 of the Serial Debentures are being issued. They are offered by a large, well-known investment house and with the high yield seem very attractive in their class.

Downey Shipbuilding Corp. 1st S. F. 7s. This company owns a steel ship and engine-building plant on New York harbor, with four shipways, and does a general repairing business in addition to its construction work. The bonds are secured by a closed first mortgage on the company's land, which has been valued at 130% to 165% of the amount of the issue ($1,500,000), and the property as a whole is said to be worth more than four times that amount. Net earnings in the past two years have averaged between seven and eight times the interest charges, and are expected to show a substantial increase in the next two years, on the basis of contracts already booked. Taking the interest and the installments of principal together, the aggregate amount should be covered about three times by earnings.

Penn Seaboard Steel Corp. 3-Year Conv. 7s. This well-known concern, which specializes in the production of high grade steels, has a capacity of 14,000 tons monthly, including the plant of the Tacony Steel Company, recently taken under control. Net tangible assets cover the amount of the $1,500,000 notes four times over, although the net current assets equal only 136% of the issue. Earnings for the past three years amounted to about five and a half times the charges. The notes are convertible on the basis of 25 shares of stock for one $1,000 note up to Feb. 1, 1921, 22 shares up to Feb., 1922, and 20 shares thereafter till maturity. As the stock is now selling around 20 it is not likely that the conversion privilege will be valuable in the near future, but as it sold as high as 35¼ in January and 58 last July, it is obvious that there are possibilities of its going above 40 again within a year or two, especially in view of the great prosperity in the steel trade at the present time.

National Plate Glass Co. Serial 6% Notes. This company is controlled by the Fisher Body Corporation, which is one of the subsidiaries of General Motors, and the former concern has guaranteed the interest and installments on these notes. The purpose of the issue is to furnish funds for the acquisition of three plate glass factories having a capacity of 11,000,000 square feet of glass annually, and the consolidated earnings of these companies are reported to have averaged nearly four times the new interest requirements during the past four years. As these notes have behind them the credit of the General Motors organization, they seem an attractive short-time issue, although it can hardly be overlooked that the General Motors 7% debenture stock is now selling at 86 and would therefore seem to be a better bargain if the purchaser wishes to take a slightly greater risk.

Sheridan-Wyoming Coal Co. 1st Mort. Serial 7s. This concern is under the management of the Peabody Coal Company, which has a record of 35 years of successful operation in the bituminous fields. A controlling stock interest is held by the United States Distributing Corporation, whose directorate includes a number of prominent coal operators. The bonds are secured by a mortgage on some 650,000,000 tons of coal, (covering an area of 14,000 acres in Wyoming) and also on the equipment of seven operating mines, which have a capacity of 5,000,000 tons per annum. The property as a whole is valued at $8,569,000 or about two and a half times the amount of the bond issue. The Sheridan-Wyoming Coal Company will consolidate the properties of the six concerns wh'ch previously operated these mines. The earnings of the six companies for the past three years averaged about $1,000,000, or four times the interest requirements.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither The MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

ATCHISON.—In Strong Position.— Net operating income for 1919 amounted to $42,255,656 compared with federal rental of $42,885,311, or a loss for the government in operating this property of $629,655. Had the road been operated for its own account last year, it would have earned, with other income and deductions as reported for 1918 after elimination of lap-over items, $10.89 a share on the $221,785,500 outstanding common compared with actual earnings in 1918 under federal rental of $11.17 a share.—V. 25, P. 335.

BOSTON & MAINE.—New Financing Planned.— The company faces necessity of doing some financing within the next three months to take care of about $8,843,000 of maturing obligations, including $7,723,000 due June 1 next and $500,000 October 1, the balance being $620,000 6% notes of the Boston & Lowell payable on demand. Including the maturities this year, company has about $16,492,000 obligations coming due before May 1, 1923.—V. 25, P. 425.

BUFFALO, ROCHESTER & PITTSBURGH.—Income Statement.— Is first road to issue 1919 income statement; it earned last year 6.27% on common stock against 6.78% in 1918, the first year of Federal operation. Government's loss from operations was $4,169,807 in 1919 against $2,218,591 in preceding year. Government paid a guaranteed rental of $3,276,410 and had to stand a deficit of $893,396 in net after taxes.

C. B. & Q.—Reorganizes.— Reorganization of executive staff preparatory to resumption of private control completed. Hale Holden, president of road, also elected president of Colorado & Southern, Fort Worth & Denver City and Wichita Valley.—V. 25, P. 424.

ERIE.—Coal Earnings Smaller.— If road had been operated for its own account in 1919 it would have earned, on basis of other income as reported for preceding year, about 27% of its rentals, interest and other charges, compared with actual income under Federal rental of about $3.07 a share on the common after dividends on both classes of preferred. Earnings of Pennsylvania Coal, Erie's subsidiary, considerably smaller, due to higher wages and other operating costs.—V. 25, P. 506.

ILLINOIS CENTRAL.—Earnings Maintained.— Earnings for 1919 are estimated at $10.83 a share on the $109,284,391 capital sstock compared with $10.72 a share in 1918. If company had been operated for its own account, it would have earned 51c a share on the stock, estimated on the basis of 1918 income and charges and eliminating Federal taxes. Other income of $7,508,053, of which a considerable amount is accounted for by interest on Louisville, New Orleans & Texas second mortgage income bonds did not benefit the road in 1919, for which reason earnings will be less than charges on a hypothetical operating basis.—V. 25, P. 424.

LEHIGH VALLEY.—Smaller Earnings.— If road had been operated for own account, it would have earned 81.4% of its rentals, interest and other fixed charges, compared with $1.61 a share on the $60,608,000 stock of $50 par earned in 1918. Actual earnings under Federal operation last year are estimated at $4.78 a share, compared with $5.44 in 1918, difference being caused by smaller coal earnings.—V. 25, P. 507.

N. Y., CHICAGO & ST. LOUIS.—Good Showing.— If road had been operated for own account, it would have earned more than 8% on each of the 3 classes of stock which share equally in dividend distributions after 5% on all classes. The road's good showing since it went into Federal control was due mainly to the large volume of traffic diverted to it under Government operation. After the return of the roads to private ownership it is doubtful whether such traffic will remain where it is and how much will be reclaimed by the roads which lost it.

NORTHERN PACIFIC.—Marked Decline in Net.— Road would have earned $3.70 a share on its $248,000,000 capital stock in 1919 if operated for its own account, compared with $7.53 in 1918. Actual earnings under Federal control are estimated at $8.50, or about the same amount as in 1918. Net operating income declined almost $10,000,000, due to higher wages and other increased expenses.—V. 25, P. 153.

PERE MARQUETTE.—In Good Position.—Road's traffic showed up well in 1919, net being $6,680,000, an increase of $2,866,000, or 8½% on the common of $45,000,000 after interest charges. Prior preferred of $12,429,000 and second preferred of $12,000,000, call for only $1,180,000 annual dividends, so that amount earned on common would be $3,800,000 without allowing for higher rates. Under the new railroad bill there will be excellent margin for the common, especially with increased rates which are necessary for the benefit of the railroads in general.—V. 25, P. 414.

ROCK ISLAND.—Favored by New Bill.—If permitted to earn 5½% on value of its properties, road would show a net for its common of over $12 a share per annum. This figure is based on preliminary estimates as well as on the valuation of road's properties as of June, 1915. If appraised at present value, net on junior issue of stock would be much higher.

ST. LOUIS-SAN FRANCISCO.—Income Statement.—If the road had been operated for own account it would have earned 80c a share for the $50,447,026 common. This figure is subject to adjustment on account of taxes. Under guaranteed rental, surplus available for interest on $35,192,000 income mortgage bonds less than in 1918, which left a balance of $1.67 a share on the $7,500,000 preferred stock.—V. 25, P. 189.

INDUSTRIALS

AJAX RUBBER.—Balance Sheet.—Surplus for 1919 after payment of all charges and taxes was $996,640, or $4.98 a share of common of $50 par value. Working capital amounted to about $42 a share, compared with about $49 in the preceding year. Inventory item and cash on hand showed pronounced increase over previous year.

AMERICAN BOSCH MAGNETO.—Increases Dividends.—Present quarterly dividend rate of $2 likely increased to $2.50. Earnings justify step; judged by the January results, company expected to earn $20 a share after taxes. Unfilled orders at end of January over $7,000,000. Company has paid off all of the $1,800,000 notes by anticipating future maturities. V. 25, P. 508.

AMERICAN DRUGGISTS.—Earnings Decline Despite High Prices.—The company's profit and loss surplus for 1919 was $424,411, or nearly $3,000 less than in previous year. The decline was due to the fact that company gave its customers benefit of its buying power and did not raise prices during 1919 in spite of continuous and consistent rise in prices of all drugs and chemicals. Company raised prices in 1920 and is expected to make a good showing.—V. 25, P. 337.

AMERICAN LOCO. — Has Large Assets.—Company has piled up a surplus of $104 a share in 4 years and has assets consisting of cash and Government securities, chiefly U. S. Treasury certificates, estimated at $35,000,000, or $140 a share. Interest receipts alone are sufficient to pay preferred dividends. Stock in very strong position. Evidences of big demand for product, which should be continued for years. Company strongly fortified financially. Has received order for 55 locomotives from Canadian National Railway and several other large orders amounting to more than $7,750,000.—V. 25, P. 424.

AMERICAN WOOLEN. — Profits Smaller.—The 17 weeks' strike will reduce company's profits compared with record-breaking showing of 1918. Efficiency among working forces improving; turnover reduced to about 5%. Cost of labor has risen considerably, woolen mill workers now best paid help in any of the great 9 industries in Mass., while a few years ago wages in textile industry were lowest in country.

ASSOCIATED DRY GOODS.—To Increase Dividend Rate.—Company's executive committee expected to place stock on a 6% basis. Some of the subsidiaries show very large increase in net. Lord & Taylor is said to have earned more than $1,000,000 compared with less than $200,000 in 1918. The same is true of many other stores under company's control. Ability to switch any line failing to sell in one store to another greatly helps company's earning capacity.—V. 25, P. 337.

ATLANTIC GULF & W. I.—Doing Big Business.—Earnings for 1919 estimated at $25 a share for the common, after all charges and taxes. Company is doing big business with Cuba, Porto Rico and West Indies. Substantial returns from oil business also expected, in which about $75,000,000 has been invested, and which ought to yield a minimum of 20% annually; but even a 10% yield would be equal to $50 a share per annum on the junior issue.

AUTOSALES CORPORATION.— Income Statement. — Surplus after charges and estimated Federal taxes was $308,956, equal to $1.85 a share earned on $4,029,569 outstanding common of $50 par value, after 6% preferred dividends.—V. 25, P. 338.

BALDWIN LOCOMOTIVE. — In Good Position.—Great demand of domestic railroads and heavy insight buying point to the company's bright outlook for increased earnings. Baldwin is about to increase its common stock, offering it on a basis of 2 new shares for 1 share now held. This would bring total outstanding common to $40,000,000, on which a satisfactory annual dividend could be maintained very easily. Surplus for the common for 1919 after Federal taxes, depreciation and other adjustments was $4,352,295, equal to $21.88 a share against $21.75 in 1918. Company is free of debt except its 1st

mortgage bonds, of which $1,098,000 has been put into sinking fund, leaving outstanding $8,902,000. Standard Steel, a subsidiary, in excellent position; Eddystone Munitions being liquidated; Southwark Foundry & Machine has been disposed of at a profit. Domestic business somewhat curtailed, foreign market chief source of orders.—V. 25, P. 425.

CALIFORNIA PACKING.—Doing Well.—Shipments unusually heavy; inventory light despite large business turnover during 1919, and only debts are current bills and Federal taxes. Billings for year about $8,000,000, according to an official of company.—V. 25, P. 508.

CHANDLER MOTORS.—Demand Exceeds Production.—Net profit for 1919 after depreciation charges, expenses, etc., but before taxes were $5,652,255, or $26.91 a share on the 210,000 shares of outstanding common of no par. This compares with $31.35 a share for 1918 on the $7,000,000 common of $100 par. President Chandler is very optimistic with regard to future. Production in 1919 conservative due to uncertain conditions following armistice. Despite increased production, company finds it difficult to meet demand. Indications point to a still greater demand for 1920 both here and abroad.—V. 25, P. 327.

CRUCIBLE.—Strike and Coal Shortage Cause Poor Earnings.—Will show only $4 a share earned on the common during 1919. Earnings for last quarter poor, due mainly to steel strike. To this may be ascribed, in part at least, the recent decline of the stock. Stockholders approved increase of common to $75,000,000 from $25,000,000, to enable holders to participate in the company's large war profits. Distribution of 25% stock dividend not likely before decision by U. S. Supreme Court as to taxability of stock dividends. In past 5 years company has paid off accumulative dividends on preferred and added besides $153.61 a share to assets behind common.—V. 25, P. 508.

GENERAL CIGAR.—Earnings Increase.—Surplus for 1919 after charges and provision for Federal taxes, was $2,722,932, or $12.64 a share, on the 181,040 shares outstanding of common, after deduction of preferred and debenture preferred dividends. Surplus per share in 1918 was $7.23.

GENERAL ELECTRIC. — Offers New Stock.—A portion (probably 10 per cent) of the new $50,000,000 increase in capital stock to be offered at par. At present market of around 155, a $5 right would thereby be created. Trading in rights has begun already on the N. Y. Curb, at prices from $3 to $6.

GENERAL MOTORS.—Another Financing Proposal Likely.—Recent financial plan did not work out as successfully as was expected. Only small portion of the offered 7 per cent preferred was subscribed for by stockholders. If this is true, another financing proposal will be necessary since company needs large sums to take care of the immense business assured for 1920.—V. 25, P. 510.

GOODRICH, B. F.—Earnings Larger.—Net profits for 1919 after charges, but before taxes, were $17,394,304 or $25.09 a share on the $60,000,000 outstanding common; this compares with $23.08 earned in 1918. Company about to recapitalize by issuing $30,000,000 5-year 7% gold notes convertible into common at $80 a share. Plan also calls for increase in common from 600,000 shares of $100 par to 1,500,000 shares of no par value. Holders of the present stock will get one share of the new stock for one share now held. Remaining common shares reserved for employees, the conversion of the gold notes and future needs. Holders of record March 15, will have the right to purchase a $100 note for $99 at rate of 1 note for each 2 shares of common, or purchase new stock at rate of 1¼ shares for each 2 shares of old stock held at $80 a share.

INTERNATIONAL PAPER. — In Strong Position.—Estimated earnings on the common around $25 a share after taxes. Erected new sulphite mill at Three Rivers, Quebec, which will be ready about next Fall; yearly output estimated at 60,000 tons of newsprint. This rendered the stock among the best supported on the list during the recent breaks.—V. 25, P. 465.

LORILLARD, P.—To Issue Additional Common.—Company has decided to offer to common shareholders at par $4,021,100 of the $6,062,240 authorized common, but remaining unissued in the treasury. Remaining amount to be set aside for employees. Holders of common will have right to subscribe for one new share for each six held. Purpose of issue is to provide for additional working capital, because of continued advance in price of raw materials and expansion of business.

MERCANTILE MARINE.—Doing Well.—According to President Franklin, earnings for 1919 are about one-third larger than in 1918, and outlook for 1920 is not discouraging. Freight market somewhat dull due to foreign exchange situation; passenger movement strong and satisfactory.—V. 25, P. 464.

NATIONAL CLOAK & SUIT.—Sales Increase.—Surplus for common was $11.20 compared with $8.31 in 1918. Volume of sales continues to show steady increase. Company has bought 2,500 shares of preferred for retirement and cancellation, making total amount so purchased $820,000. This takes care of amortization requirements called for by charter to Oct. 15, 1920 and $70,000 of the requirements for years ending Oct. 15, 1921.

OTIS STEEL.—To Issue New Stocks.—Company expects to issue additional $5,145,850 7% cumulative preferred. Proceeds of issue to be used for payment of sheet mill extensions under way. Common stockholders have right to subscribe on or before March 16th at par and accrued dividends at rate of one new preferred share for eight shares of common. Company will have total preferred outstanding of $9,976,450.

PRESSED STEEL CAR.—Earnings Increase.—Surplus for past year after all charges and taxes was $1,759,776 or $27.12 a share on the outstanding common of $12,500,000 compared with $24.60 a share in 1918. Gross sales aggregated about $45,000,000; company manufactured about 8,000 cars or more than 15% of the output of the entire country.

PUNTA ALLEGRE SUGAR.—Extra Dividend Likely.—Company is expected to have $5,000,000 cash on hand when current crop is sold, or more than $21 a share on the 232,175 shares of stock outstanding. This naturally encourages stockholders' expectation of an extra dividend.—V. 25, P. 287.

REPUBLIC IRON & STEEL.—Does Not Earn Its Dividends.—Earnings for 1919 applicable to common amount to about $4.50 a share compared with more than 22% earned in preceding year. Poor showing caused by almost complete shutdown because of strike. Coal shortage and epidemic also retarded operations. Coming year expected to be better as orders on books are sufficient to keep company busy for at least 6 months.—V. 25, P. 511.

S. S. KRESGE.—Gross Increases.—Sales for January amounted to $3,051,585 compared with $2,613,559 for January, 1918, an increase of more than 14%.—V. 25, P. 511.

UNITED FRUIT.—Reports Large Earnings.—Net for 15 months ended December 31, 1919 was $20,163,517, after interest and Federal taxes, equal to $40.07 a share on the outstanding common stock. Net for 12 months ended September 30, 1918 was $14,094,046 or $28.01 a share. To the large earnings is due the dividend increase from a 10 to a 12% annual basis for the stock.—V. 25, P. 256.

U. S. RUBBER.—Demand Exceeds Output. Heavy Demand From Abroad.—Net profits for 1919 after charges and taxes are estimated at $23,500,000, or about $26 a share on the $76,000,000 outstanding common, after preferred dividends; this compares with $30.81 a share earned on $36,000,000 common in 1918. Improvements and extensions should double tire producing capacity. Domestic demand continues far in excess of output, and exports are increasing rapidly.

WOOLWORTH. — Pronounced Increase in Earnings. — Surplus after war taxes and preferred dividends for 1919 amounted to $8,854,435, equivalent to $17.11 a share on the $50,000,000 outstanding common, compared with $4,981,507 or $9.96 a share in 1918. Gross sales increased from $107,179,411 to $119,496,107, or more than 11%.—V. 25, P. 514.

PUBLIC UTILITIES

B. R. T.—Gross Shows Improvement.—Earnings of subway and "L" lines from February to December, 1919, indicate a definite change for the better in the local traction situation. Gross was $14,814,987 and operating expenses $11,914,268, leaving $2,900,719 applicable to interest charges of about $5,350,000. If it were not for the $2,000,000 increase in wages, company's net would have been about equal to interest charges. Increase in gross due chiefly to development of traffic on newly opened lines, but gain almost entirely offset by higher wages. —V. 25, P. 512.

BROOKLYN UNION GAS.—City to Intervene.—Supreme Court Justice Greenbaum refused the application of company's subsidiary, the Jamaica Gas Light Co., for an injunction restraining the city authorities from attempting to enforce the law fixing $1 per M cu. ft. of gas, pending a suit to have law declared unconstitutional. The justice also signed an order, permitting the city to intervene in the litigation. Decisions are reverse of recent orders of court declining to permit city to intervene in the suit of Consolidated Gas to have the 80c law set aside, and granting the Brooklyn Union Gas a temporary injunction restraining public officials from taking steps to enforce the 80c law.—V. 25, P. 60.

CHICAGO TELEPHONE.—Annual Statement.—Net for the past year after all charges, but exclusive of all revenues accrued to and expenses borne by the Government during period of Federal control from January 1 to July 31, 1919 amounted to $3,032,180 or $7.58 a share earned on the $40,000,000 capital stock. After payment of 8% dividend on capital stock, there should be a defiicit for year's operation of $167,820.—V. 25, P. 167.

CITIES SERVICE.—Record Earnings For January.—Gross for January, 1920, largest in any one month in company's history. Net for month applicable to reserves, dividends and surplus was $1,696,243, an increase of $12,374 over corresponding month of 1919. After dividends on the preferred, balance available for common was $1,344,059. The company's public utility properties are operating on a basis of higher demands and larger outputs and indications point to a record year with public utility subsidiaries. Despite unfavorable weather conditions, operations in oil department continued active and new productive areas were opened.—V. 25, P. 480.

DETROIT UNITED. — Surplus Grows.—Surplus for 1919 after expenses, interest, Federal taxes and depreciation reserves, amounted to $1,618,666 or $10.79 a share on the $15,000,000 of outstanding capital against $8.96 earned in 1918. Gross for year was $24,683,038 against $19,014,018 and operating expenses $19,792,528 against $14,758,338 in the previous year.—V. 25, P. 512.

I. R. T.—Passenger Revenue Increases.—An engineer of the company estimated total revenue for 1920 at $20,696,800, or more than $11,000,000 after rentals and operating expenses.—V. 25, P. 513.

LACLEDE GAS.—Marked Increase in Earnings.—Surplus for past year after taxes, charges and preferred dividends, was $1,303,770 or $12.18 a share earned on the $10,700,000 common against $4.53 earned in preceding year.

MONTANA POWER. — Earnings Estimated.—Earnings for 1919 are expected to be about $4 a share on company's outstanding common. Earnings for the first nine months of the past year show a balance available for common of $1,391,081 or at rate of $3.20 a share. Earnings for third quarter of 1918 were 72c a share.

N. Y. RYS.—Valuation of System.—Total value of system, including all leased lines, placed at $88,998,970 before war and at $144,055,177 in June, 1919, or $71,516,188 and $112,526,657 after deducting 10% depreciation set by P. S. Commission. Outstanding against June, 1919, estimate are underlying securities of $18,000,000 4% bonds and $30,000,000 5% income adjustment bonds.—V. 25, P. 75.

OHIO TRACTION COS.—Earnings For 1920.—Company estimated earnings for 1920, as follows:

Gross receipts	$8,640,962
Operating expenses	5,449,344
Taxes & rentals	1,832,552
Sink. Fd. & Int. on debt..	329,520
Balance	1,029,546

PHILADELPHIA COMPANY. — Earnings Decline.—Gross for 1919 was $12,397,690, a decrease of about 5% from preceding year. Net was $5,385,405 or $4.60 a share compared with $5.25 a share in 1918. Net does not include income from investments and is before provision for interest on indebtedness and other income deductions. These figures do not include earnings from subsidiaries which were given in issue of February 21, 1920. —V. 25, P. 341.

UTAH LIGHT & TRACTION.—Seeks Fare Increase.—Company has applied to P. U. Commission of Utah for permission to raise fare in Salt Lake City from 6 to 7c, and for privilege to charge 1c for each transfer. Company accepts Commission's valuation of its property, viz. $8,468,278 for purpose of establishing a basis on which to found its request for an increase in fares.

MINING NOTES

AMERICAN SMELTING. — Earns Common Dividends.—Net results of 1919 operations sufficient to cover common dividend. Copper deliveries during last three months of 1919 were heavy and this with the good earnings from the silver, lead and tin departments, increased revenues. Conditions in Mexico have improved to such an extent that all the smelters in that country have resumed operations. It is expected that the mines will also soon be placed in commission after a long shutdown. The price of lead has again been advanced from 8½c. to 8¾c. a lb. V. 25, P. 514.

BUTTE & SUPERIOR.—Income Grows.—Total income for 1919 was $6,735,874, an increase of $761,548 over previous year. Profits for year were $1,054,961, or $3.63 a share, against $2.40 a share in 1918. V. 25, P. 426.

CALUMET & ARIZONA.—Declares Dividend.—Quarterly dividend of $1 a share, payable March 22 to holders of record March 5, was declared. Last Quarterly dividend was 50c. a share. V. 25, P. 313.

CERRO DE PASCO.—To Increase Production.—With the completion of new smelter and the development of a normal demand for copper, company is expected to increase its production considerably, and to earn anywhere from $8 to $20 a share. Company is also a high silver producer and experts believe that silver will continue to be quoted at present high prices, there being nothing to indicate letting up in demand for several years to come.

CHIEF CONSOLIDATED MINING.—Record Silver Production.—Company broke previous records for silver production by putting out more than 2,700,000 ozs., compared with 2,354,798 in 1918. Company's camp said to be mining more ore than for many months.

CHILE COPPER.—Production Smaller.—Company prdouced 6,016,000 lbs. of copper in January, 1920, compared with 6,800,000 in January, 1919, a decrease of about 12%, and with 8,358,000 produced the same month of 1918. V. 25, P. 259.

CONSOLIDATED INTERSTATE CALLAHAN.—May Declare Extra Dividend.—Declared dividend of $2 a share payable in quarterly installments to holders of record March, June, Sept. and Dec. 15, 1920. Last dividend of $1.75 a share was paid in 1918. Production has increased considerably since resumption of operations at the mines, and high metal prices have resulted in earnings sufficient to declare dividends for entire year. An extra dividend of $1 a share and an increase in the quarterly rate are highly probable.

LEHIGH COAL & NAVIGATION.—Maintains Earnings.—The company's annual report for 1919 shows net income after charges and taxes of $2,874,833, equivalent to $4.92 a share (par value $50) on the $29,173,950 capital stock, as compared with $2,805,088, or $4.81 a share in 1918.

MAGMA COPPER.—Sued.—Minerals separation claims that company has infringed 2 of their patents. Magma intends to contest the question, claiming that it has, through its fellowship at the Mellen Institute at Pittsburgh, discovered a product which it has been using for several years. According to *Engineering and Mining Journal*, "conditions are as much against the plaintiff as any which can be found."

NEVADA CONSOLIDATED.—Sued by Minerals Separation. Cuts Quarterly Dividend.—Minerals Separation has filed a second suit against company in U. S. Circuit Court at Portland, Me.

The first suit alleges infringement of the patent covering use of oily liquids containing less than 1% of oil. The second suit alleges infringement of Minerals Separation's patent covering use of soluble frothing agents, issued June 28, 1910, about four years after its original flotation patent. In this way all use of the froth flotation process by Nevada is made subject of litigation.

Quarterly dividend was reduced from 37½c. a share to 25c. V. 25, P. 223.

SOAP YEAR

—Murphy in N. Y. American.

ST. JOSEPH LEAD. — Earnings Decline.—Net for 1919 after charges and taxes was $1,060,596, equal to 75c. a share on capital stock, against $1.29 a share in 1918. Decline caused by reduced output in 1919 and the change from a war to a peace basis. Strong demand for lead renders future bright.

UNITED VERDE EXTENSION.—Expands.—Operations were carried on for only 8 months during 1919, suspension being caused by the strike, which lasted about 4 months. During that period 96,546 tons of ore were mined, of which 15.5% was copper, .029 ozs. gold and 3.23 ozs. silver; smelted 93,325, yielding 28,860,615 lbs. copper, 3,169 ozs. gold and 272,855 ozs. silver.

Additional ground has been purchased, and most of construction and equipment of mine and smelter for operation are now complete. V. 25, P. 514.

OIL NOTES

ATLANTIC LOBOS.—To Increase Earnings.—Atlantic Oil's ownership in its refinery at Guayabalillo, Mexico, has been transferred to the company, which will thus come into possession of a refinery, an operating pipe line 20 miles in length, and leases on about 90,000 acres of oil lands in the light oil field district of Mexico. V. 25, P. 514.

ATLANTIC REFINING.—To Increase Working Capital.—Net income for 9 months ended September 30, 1919, was, after charges but before taxes, $12,966,989 or $259.40 a share on the $5,000,000 outstanding common of $100 par. Company has issued $20,000,000 7% non-voting cumulative preferred stock. Cash received from subscription to be turned into treasury as additional working capital.

CARIB SYNDICATE. — Acquires New Interest.—Company has acquired control of properties of Equatorial Oil Co. owning about 250,000 acres of land adjoining to Tropical Oil properties in Colombia. All carry oil rights subject to nominal taxation payable to Colombia. Orders have already been placed for complete drilling. Earnings should increase substantially because of the bringing in of a 10,000-barrel well on the property of Colon Development Co., which is owned by Royal Dutch and Carib. V. 25, P. 169.

SIMMS PETROLEUM.—Increased Production.—Runs through the new 6-inch pipe line average 8,000 bbls. a day, which ought to help materially the company's earning capacity. V. 25, P. 515.

CRESCENT PIPE LINES.—Decline in Earnings.—Net for 1919 amounted to $161,417 or $2.69 a share of common against $3.12 a share earned in the previous year. After payment of $180,000 dividends, company had deficit of $18,583 compared with a surplus of $7,446 in 1918.

GILLILAND OIL.—To Increase Production.—Negotiations whereby the company acquires the interest of John B. Foster, Gilliland's former partner in the Homer Field have been concluded. From these properties daily runs of oil to pipe lines, tank cars and storage are averaging in excess of 26,000 barrels, of which over 20,000 barrels are now net to Galliland. V. 25, P. 428.

GULF OIL.—Operates Successfully. Company has one property in the deep sands of Homer pool with two deep wells, and nine wells in the shallow sand pool; has also a tank farm and holding rack at Dubberly with five tanks completed, about 170,000 bbls. storage and is taking out 5,000 to 9,000 bbls. of oil daily.

INVINCIBLE OIL. — Completes New Pipe Line.—Company has completed pipe line from Homer field to its refinery at Shreveport and is running crude oil at rate of 10,000 bbls. daily through the line. Runs expected to increase shortly to 14,000 bbls. a day.

KANOLA OIL & REFINING.—To Increase Dividend.—President L. L. Hutchison has announced that the next quarterly dividend will be 4 cents a share, which will place the stock on a 13 per cent. basis. Income has practically doubled and holdings have been increased about one-third since the reorganization of the company. The company has thirty-six producing wells and nine drilling operations under way. Additional acreage has recently been added to the company's holdings in Oklahoma, Kansas and Texas.

MEXICAN PETROLEUM.—Favored by Trade Conditions.—Demand for fuel oil greatly exceeds facilities for meeting it. Company has big advantage in this respect since it has recently turned down contracts for fuel oil because of probable higher fuel oil prices. Production in January was 80,000 bbls. and is expected to reach 100,000 soon. Production for past year was 92,500,000, or an increase of about 28,000,000 over 1918. About 90% was export of which 51,000,000 were shipped to the United States. After payment of Federal taxes in this country and Mexican government taxes, company earned $15 net, a share on its $40,612,100 common. V. 25, P. 261.

RYAN PETROLEUM. — Merger Planned.—Company about to combine with Morton Oil and other companies, to be capitalized at 500,000 shares of no par value. As a result of consolidation Ryan shareholders will receive valuable rights. V. 25, P. 499.

COSDEN & CO.—To Issue New Stock.—Proposes to issue shares of no par value in exchange for certain shares of present outstanding and authorized common of $5 par, and to exchange five of the new shares for one of no par. Date of exchange to be made public later.

SINCLAIR.—To Increase Earnings. Recent sale of stock added about $50,000,000 to company's treasury. Use of these funds means large addition to company's earning capacity. Sinclair owns about 1,800 producing wells with daily production of 40,000 bbls., 10 defineries, a fleet of tankers and distributing facilities in 30 states, also in Latin America and Europe. V. 25, P. 170.

STANDARD OIL OF NEW JERSEY.—Earnings of Subsidiaries Show Marked Decline.—Earnings per share for 1919 compared with those for 1918 for the Eureka, Indiana and Southern Pipe Line were in order: 1919—Eureka, $7.24; Indiana, $10.74; Southern, $16.86. 1918—Eureka, $16.97; Indiana, $11.46; Southern, $20.69. The first two companies have an outstanding capital stock of $5,000,000 of $100 and $50 par value respectively. Southern Pipe Line has $10,000,000 capital stock of $100 par. V. 25, P. 492.

WHITE OIL. — Makes Important Contract.—The corporation has made a contract with the Texas Co. whereby the pipe lines of the latter will run from West Columbia field of Texas to Houston, the 1,000,000 bbls. of oil which the White Corporation has in storage in the West

Columbia field. This oil will be delivered at the company's new refinery at Pasadena, Tex. Twenty 55,000-barrel steel storage tanks are being erected for storing this oil, pending the refinery's ability to handle it. V. 25, P. 516.

UNLISTED NOTES

AMERICAN FOREIGN TRADE CORPORATION. — Declares Initial Dividend.—Company organized chiefly for purpose of engaging in trade in Near East and Levant; has branches in Turkey, Bulgaria, Rumania, Russia, Egypt and Syria. Capitalization consists of $1,327,500 preferred and $127,375 common. Estimated profits for 1919 were $57,341. Despite heavy expenses caused by opening of various branches, an initial dividend on the preferred of 1¾% was declared, payable February 16, 1920.

ASBESTOS CO. OF CANADA.—Large Earnings.—Net for 1919 available for preferred dividends was equal to 14.4% on that issue, and after 7% preferred dividends, to more than 24% on common, compared with 18.7% in 1918 after 6% dividends. Profit and loss surplus as of December 31, 1919, was $1,586,391.

BRITISH-AMERICAN TOBACCO. —Doing Well.—Company rapidly restoring its export lines which were interfered with during war, because of army requirements. Production larger than preceding year. Profit and loss surplus at close of fiscal year was £4,400,000 after payment of 30% on ordinary shares. V. 25, P. 78.

GERMAN INDUSTRIALS.—Analyzed.—The Stock Exchange house of Josephthal & Co. has published a pamphlet containing an analysis of the more attractive German industrials. Owing to the present low rate of German exchange, possibility of realizing substantial profits is considerable.

GILLETTE SAFETY RAZOR.—Net Increases.—Net for 1919 before reserve for taxes was $6,025,350, against $5,252,136 in previous year, or an increase of 15%. Earnings for 1919 were equal to $27.38 a share on 220,000 shares outstanding. The company sold 2,315,892 razors and 17,320,517 dozen blades, compared with 4,580,987 razors and 12,895,618 blades in 1918. V. 25, P. 516.

HERCULES POWDER.—Earnings Decline.—Net for 1919 after all charges and taxes was $1,579,794, equal, after deduction of preferred dividends, to $16.85 a share on the $7,150,000 stock, as compared with $27.15 a share in 1918.

INTERNATIONAL INDIA RUBBER.—To Pay Back Dividends.—Entire accumulated dividends on outstanding preferred for 1917 and 1918 to be paid in cash; regular 7% cash dividend on preferred also declared; cash distribution to be made out of earnings equal to 6% on common.

J. G. BRILL.—Gross Sales Decline.—Surplus for 1919 after depreciation and before Federal taxes, amounted to $916,869, or $20.92 a share, earned on the preferred, against $20.20 a share in 1918. Gross sales for the year were $14,210,622, a decrease of $2,550,533 from sales in the preceding year.

MACKAY COMPANIES.—Earnings Fully Maintained.—Surplus for 1919 after expenses, Federal taxes and preferred dividends amounted to $5.74 a share earned on the $41,380,400 common, compared with $5.87 earned in previous year. V. 25, P. 48.

NATIONAL ENAMELING. — In Strong Position.—After payment of $6 a share on the junior issue, $14.25 was left for a share of common stock, against $7.94 in 1918 and $19.32 in 1917. The company is in the flood tide of its business and earnings the current year should be satisfactory. A working capital of $11,316,464 shows strength of company's position. V. 25, P. 153.

SEMET SOLVAY.—Surplus Smaller.—Surplus for 1919 after charges was $1,054,880 or $6.21 on outstanding stock, against $12.37 a share in previous year; gross was $2,133,849, almost one-fourth of previous year's gross; surplus after dividends was $36,470 or $717,299 less than in 1918.

UNDERWOOD TYPEWRITER.—Reports Large Surplus.—Surplus for 1919, after charges and Federal taxes, was $2,599,952, or $25.85 a share on common after preferred dividends. This compares with $23.67 a share for preceding year. Net was $4,121,914, or by $101,478 larger than in 1918. Common dividend disbursements increased $646,500.

Man has a higher capital value than his weekly salary would indicate; and he is worth as much as he makes himself worth.

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"To whom it may concern: I know nothing about the young man who offers you this letter, but I admire his nerve."

Bankers Oppose New Tax Exemptions

THE bankers and investors of the country have much reason to study the effects of the large exemptions from the Federal income tax which are now in effect. Existing laws will permit of continuous additions to the billions of Federal, State, municipal, and private securities which can be sold either as "tax exempt" or very largely so.

A larger proportion of the funds available for long term investment are constantly being invested in these favored securities. At the present time the difference in interest rate between the taxable and the non-taxable securities of equal safety approximates 2 per cent per annum. Furthermore, about the only class of citizens which can afford to invest in the taxable issues are those in the lower brackets of the Federal income tax—the persons and estates which enjoy very large incomes, and would naturally absorb a large proportion of the more or less permanent investments, being obliged to pay one-half to two-thirds of their interest in this one tax.

The following resolution, recently adopted by the Administrative Committee of the American Bankers' Association, is of interest:

"Whereas, an early absorption of U. S. war bonds by permanent investors is essential to a sound commercial and industrial development; and

"Whereas, the conditions of our export trade, foreign exchange, and the general wish to maintain American wage levels, require a prompt establishment of intensive production—essential for which are liberal supplies of capital for plant investment, adequate industrial housing and working capital; and

"Whereas, we recognize the necessity for a Federal income tax as the most equitable and effective plan of taxation for financing the war emergency, but fully realize that both its equity and effectiveness will be destroyed in such proportion as those most able to pay are allowed to obtain tax exemption by purchase of governmental instrumentalities, and with drawal from investment in private low-rate securities;

"Therefore, be it

"Resolved, that the Administrative Committee of the American Bankers' Association note with alarm the absorption of funds available for long term investment by local improvement, general municipal, and other tax-exempt securities, and we hereby disapprove of any new national legislation looking to the issue of additional tax-exempt securities."

As to the variety of forms in which the demand for tax exemption may appear, we quote the following from the current volume of the *Journal* of the American Bankers' Association, page 135:

"Current discussions of problems in politics and economics are repeatedly bringing forth suggestions and so-called 'plans' which depend very largely and far more than is generally appreciated upon the extent to which each proponent may be relieved from financial burdens which the Government now places upon the activity. We refer to the various efforts to obtain exemption from taxation.

"This relief from taxation would result by the Government:

"First, acquiring the title to property which would be taxable if in private ownership; or,

"Second, issuing tax-exempt public securities for the private benefit of individuals; or,

"Third, granting the subsidy of tax-exemption to the private property of favored individuals.

"Some projects may involve but one kind of exemption, whereas others may involve any two or all. Whatever the plan, the more property becomes tax-exempt the greater will be the tax burden on that not exempt. * * *

"Selfishness of individuals and special interests, the weakness of public officials, and also a natural generosity with other people's money, all combine to favor the growth in the number and size of tax exemptions."

The New-Book Letter

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IMPORTANT EVENTS IN STOCK EXCHANGE HISTORY

1817	New York Stock Exchange Board organized.
1830	First railroad stock listed was Mohawk & Hudson.
1837	American securities first quoted in London.
1850	Foreign exchange and arbitrage dealings with London commenced.
1857	J. H. Whitehouse admitted. Still active and oldest member N.Y.S.E.
1863	National banks established.
1865	N. Y. Stock Exchange occupied present site on Broad Street.
1867	Tickers introduced.
1869	Membership of Exchange 533 members.
1869	"Black Friday" (September 24).
1878	Telephones introduced.
1879	Membership limited to 1,100.
1884	Money loaned at 1,806% (May 3). Fell immediately to "flat."
1892	Clearing House opened (May 17).
1907	Famous Panic. Money loaned at 150%.
1914	Exchange closed four and one-half months.
1919	Bond tickers introduced.

Classified Advertising

DIVIDEND NOTICES

Packard Motor Car Company

PREFERRED STOCK

The regular quarterly dividend of one and three quarters per cent (1¾%) on the preferred capital stock of the Company has been declared by the Board of Directors, payable March 15, 1920, to the holders of the preferred stock of record at the close of business February 29, 1920. The books will not be closed.

FREDERICK R. ROBINSON, Secretary.

Detroit, Michigan, February 20, 1920.

American Telephone and Telegraph Co.

A dividend of Two Dollars per share will be paid on Thursday, April 15, 1920, to stockholders of record at the close of business on Friday, March 19, 1920.

On account of the Annual Meeting, the transfer books will be closed from Saturday, March 20, to Tuesday, March 30, 1920, both days included.

G. D. MILNE, Treasurer.

Important Dividend Announcements

To obtain a dividend directly from a company, the stock must be transferred into the owner's name before the date of the closing of the company's books.

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
$6	Ajax Rubber ($50)	$1.50 Q	3-10	3-15
6%	Amer Beet Sugar, p.	1½%Q	3-13	4- 1
$10	Am Bosch M no par.	$2.50 Q	3-15	4- 1
7%	Amer Can, p.	1¾%Q	3-17	4- 1
6%	Amer Chicle, p.	1½%Q	3-20	4- 1
6%	Amer Express	1½%Q	2-28	4- 1
7%	Am Hide & Leath. p.	1¾%Q	3-13	4- 1
$6	Amer Int'l Corp, p.	$1.50 Q	3-16	3-31
$6	Amer Int'l Corp, c.	$1.50 Q	3-16	3-31
....	Amer Raditor, c ext.	4 %	3-22	3-31
4%	Am Smelt & Refin, c.	1 %Q	2-27	3-15
6%	Amer Tobacco, p.	1½%Q	2-14	3- 1
20%	Amer Tobacco	5 %Q	2-14	3- 1
20%	Atlantic Refining, c.	5 %Q	2-21	3-15
12%	Atlas Powder, c.	3 %Q	2-28	3-10
8%	Beth Steel, 8% p.	2 %Q	3-16	4- 1
7%	Beth Steel, 7% p.	1¾%Q	3-16	4- 1
5%	Beth Steel, c A.	1¼%Q	3-16	4- 1
5%	Beth Steel, c B.	1¼%Q	3-16	4- 1
6%	Borden Co., p.	1½%Q	3- 1	3-15
$8	Buckeye P L $50.	$2 Q	2-21	3-15
$6	California Pack, c.	$1.50 Q	2-28	3-15
$4	Calumet & Ariz $10.	$1 Q	3- 5	3-22
$3	Cambria Steel $50.	75c Q	2-28	3-15
....	Cambria Steel, ext.	25c	2-28	3-15
7%	Chesebrough Mfg, p.	a1¾%Q	2-20	3-15
14%	Chesbrough Mfg, c.	3½%Q	2-20	3-15
....	Coca Cola Co.	a$1	3-13	4- 2
7%	Consolidated Gas	1¾%Q	2-10	3-15
$2	Cons Inter Cal $10.	50c Q	3-15	3-20
12%	Continental Oil	3 %Q	2-24	3-16
$2	Copper Range $25.	50c Q	2-20	3-15
$3	Crescent P L $50.	75c Q	2-21	3-15
7%	Crucible Steel, p.	1¾%Q	3-16	3-31
7%	Cuban Amer Sug, p.	1¾%Q	3-15	4- 1
10%	Cuban Amer Sug, c.	2½%Q	3-15	4- 1
9%	Del & Hudson	ss2¼%Q	2-26	3-20
3%	Federal Min & Sm p.	¾%Q	2-24	3-15
8%	Galena Sig Oil orig p.	2 %Q	2-28	3-31
8%	Galena Sig Oil new p.	2 %Q	2-28	3-31
6%	General Chemical, p.	1½%Q	3-18	4- 1
7%	General Cigar, p deb.	1¾%Q	3-24	4- 1
7%	Goodrich (B F), p.	1¾%Q	3-22	4- 1
$1	Kenn Copper no par.	25c Q	3- 1	3-31
....	Kenn Copper ext.	dd25c	3- 1	3-31
7%	Lig & Myers Tob. p.	1¾%Q	3-15	4- 1
7%	Nat Anil & Chem, p.	1¾%Q	3-15	4- 1
7%	National Biscuit, c.	1¾%	3-31	4-15
7%	Nat En & Stamp, p.	1¾%Q	3-11	3-31
6%	Nat En & Stamp, c.	1½%Q	2-28	3-20
7%	National Lead, p.	1¾%Q	2-20	3-15
6%	National Lead, c.	1½%Q	3-12	3-31
7%	Nat Sug Refin, c.	1¾%Q	3- 8	4- 2
....	Nat'l Transit, ext.	50c	2-28	3-15
10%	N Y Air Brake	2½%Q	3- 2	3-24
8%	Niles-Bem Pond, c.	2 %Q	3- 1	3-20
7%	Norfolk & West c.	ss1¾%Q	2-28	3-19
5%	North Amer Co.	1¼%Q	3-18	4- 1
$5	Ohio Oil ($25)	$1.25 Q	2-28	3-31
....	Ohio Oil, ext.	$2.75	2-28	3-31
6%	Southern Pacific	ss1½%Q	2-28	4- 1
$20	South Penn Oil	$5 Q	3-12	3-31
8%	So Porto Rico Sug p.	2 %Q	3-10	4- 1
20%	So Porto Rico Sug c.	5 %Q	3-10	4- 1
10%	Standard Oil of Cal.	2½%Q	2-14	3-15
....	Stand Oil of Cal ext.	1 %	2-14	3-15
12%	Standard Oil of Ind.	3 %Q	2- 2	3-15
....	Stand Oil of Ind ext.	3 %	2- 2	3-15
12%	Stand Oil of Kan.	3 %Q	2-28	3-15
....	Stand Oil of Kan ext.	3 %	2-28	3-15
7%	Stand Oil of N J, p.	1¾%Q	2-20	3-15
20%	Stand Oil of N J, c.	5 %Q	2-20	3-15
16%	Stand Oil of N Y.	4 %Q	2-20	3-15
$12	Stand Oil of Ohio.	$3 Q	2-27	4- 1
....	Stand Oil of O ext.	$1	2-27	4- 1
8%	Union Bag & Paper.	2 %Q	3- 5	3-15
4%	Union Pacific, p.	ss2 %S	3-13	4- 1
10%	Union Pacific, c.	ss2½%Q	3-13	4- 1

aInitial dividend.
dd Capital distribution.
e Payable in common stock.
ss Subject to the approval of the Director General of Railroads. N. Y. Stock Exchange ruled stock does not sell ex-div. on stock of record date.